The MAGAZINE of WALL STREET

and BUSINESS ANALYST

AUGUST 7, 1954 — 85 CENTS

SOCIAL SCIENCES

AUG 9 1954

1954 Mid-Year Dividend Forecast

In This Issue: Part 3

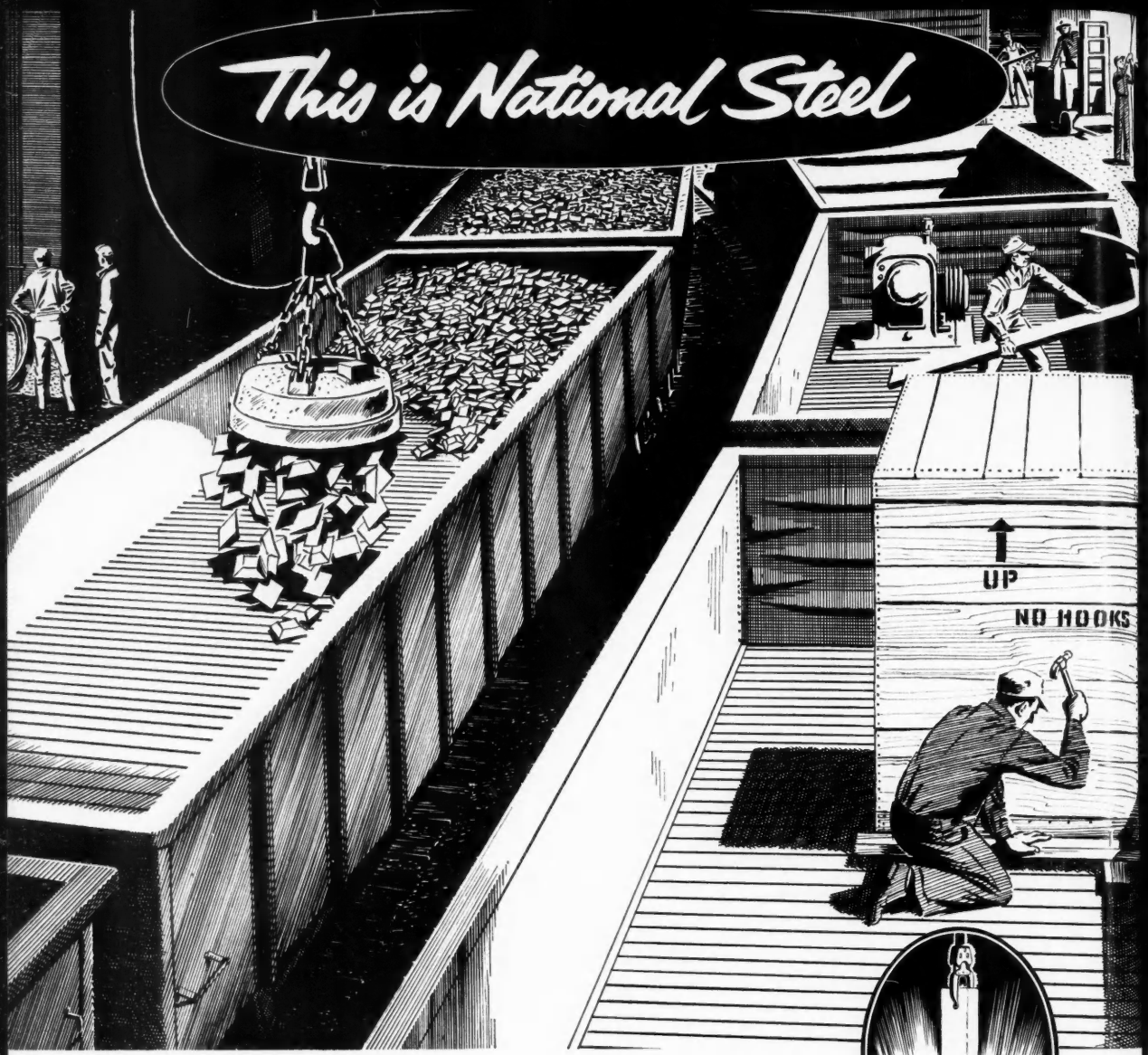
ELECTRICAL • FARM • OFFICE
RWY. EQUIPMENTS

-55 Issues Rated-

★ **HOW TO MEET THE $25 BILLION PRODUCTION RISE NEEDED**
By HAROLD DuBOIS

★ **CAN FORD FINANCE GIGANTIC EXPANSION**
— without Offering Shares to Public?
By L. A. LUKENS

★ **WHAT 2nd QUARTER 1954 EARNINGS REPORTS REVEAL**
— looking to 3rd and 4th quarter prospects —
By WARD GATES



Helping one freight car do the work of two with Nailable Steel Flooring

Nailable Steel Flooring, developed and produced by Great Lakes Steel, a division of National Steel, is virtually unknown to the general public but no stranger to railroads and shippers.

Nailable Steel Flooring doubles the availability and usefulness of freight cars by making them always ready for dissimilar carrying jobs without alteration or advance preparation. A gondola, for example, can enter a plant carrying blocked, crated or skidded material and, after being unloaded, be sent on its way with a load of loose scrap.

Nailable Steel Flooring's unique design permits loads to be blocked and nailed right to it. With a N-S-F installation welded into a car's structure, the danger of loading damage is reduced, and the floor itself has a high resistance to the impacts of mechanical bulk loadings. The material used in making N-S-F is another product of Great Lakes Steel—tough, durable N-A-X High-Tensile steel.

N-S-F is just one result of National's progressive policy that calls for constantly improved products and methods. This is National Steel—entirely integrated, completely independent—one of America's leading steel producers.

New Color Film Now Available

"Achievement in Steel" . . . a new 16-mm color film telling the dramatic story of steel is now available to organized groups. To obtain this film for your group, write to "Achievement," National Steel Corporation, Pittsburgh, Pennsylvania.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corp. · Weirton Steel Company
Stran-Steel Division · Hanna Iron Ore Company
The Hanna Furnace Corp. · National Mines Corp.
National Steel Products Co.

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 94, No. 10 August 7, 1954

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Trend of Events ... 555

As I See It!
by John Cordelli ... 557

Market Growing More Speculative
by A. T. Miller ... 558

How to Meet the $25 Billion Production Rise Needed
by Harold Du Bois ... 560

Can Ford Finance Gigantic Expansion?
by L. A. Lukens ... 562

What 2nd Quarter Earnings Reveal – Part I
by Ward Gates ... 566

Inside Washington
by "Veritas" ... 568

As We Go to Press ... 569

Factors in Restitution of Confiscated German Properties
by V. L. Horoth ... 571

Midyear Dividend Forecast – Part III
Electrical, Farm, Office, Railway Equipments ... 573

The Contrasting Trends in Electrical Equipments
by George L. Merton ... 574

Continuing Adjustments in Farm Equipments
by James K. Lawson ... 578

Variations in Office Equipment Earnings
by John D. C. Weldon ... 580

What is Going On in Rail Equipments?
by Phillip Dobbs ... 583

For Profit & Income ... 586

The Business Analyst
by E. K. A. ... 588

Keeping Abreast ... 593

Answers to Inquiries ... 594

Cover Photo by Ford Motors

Copyright 1954, by the Ticker Publishing Co., Inc., 90 Broad St., New York 4, N. Y. C. G. Wyckoff, President and Treasurer. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 85 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE – $20.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS – Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES – International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address – Tickerpub



"Ask Research!"

Here at Merrill Lynch, we do it all the time.

Whenever we need current facts about a company's sales, earnings, dividends, or outlook . . .

Whenever we want a complete appraisal of an investor's portfolio . . .

Whenever we have to know just how major news developments might affect certain securities . . . particular industries . . . or business in general.

Not that our Research Department is always right—it isn't. Or knows all the answers—it doesn't.

Nobody can possibly keep tabs on thousands of different companies and their securities.

Not even a department more than 100 strong . . . Not even a department that answers tens of thousands of questions a year regarding investments.

But we don't know anybody who does a better job of helping investors get the information they need.

So . . . if you aren't sure that *each* stock you own is the best you can buy in the light of your own investment objective . . .

Or if you'd like someone to plan a sound investment program suited to any specific sum and *your* situation—just "Ask Research!"

Whether you're a customer or not, they'll do all they can to help—and there's no charge, no obligation. Simply address—

WALTER A. SCHOLL
Department SF-18

MERRILL LYNCH, PIERCE, FENNER & BEANE

70 Pine Street, New York 5, N. Y.
Offices in 106 Cities

"Invest – for the better things in life"



The first coast-to-coast radio network broadcast

It was sent over the Bell System's transcontinental network thirty years ago

Just a little over thirty years ago a man's voice was heard on radio sets in New York and California—at one and the same instant.

That was early in 1924, when the first coast-to-coast radio network broadcast took place. The voice, fittingly enough, was that of a telephone man—J. J. Carty. He had helped direct the building of the Bell System's transcontinental telephone network, and he was working to make it more useful every day.

Mr. Carty spoke from Chicago's station WMAQ. His voice was carried by telephone wires to New York, Providence and Washington, D.C., in the East and westward to two stations in California.

How that first network has grown! Today hundreds of radio stations across the nation are regularly linked together by telephone lines.

And today telephone lines serve another kind of broadcasting. Television pictures—in both black and white and color—are sent from city to city on telephone equipment.

The wires, coaxial cables and radio relay towers, put up to provide the nation with Long Distance telephone communication, also serve to bring an endless selection of radio and television programs to millions of homes.

When you think about it, you realize how a great communications network like this serves to unite us all.

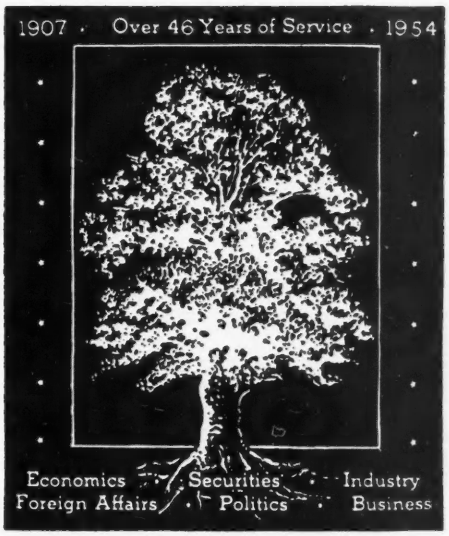
It speeds the vital messages of government and business. Carries your own warm words to distant relatives and friends. Brings many, many people together in radio and television audiences to hear and see historic words and great events.

The Long Distance network is truly an instrument of democracy.

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

PAVING THE WAY . . . The omnibus tax bill which has just passed must be scored as an important Administration victory. It is significant not only because it offers relief in varying measure to practically every segment of the population but because it follows a definite pattern calculated to free business—which is the core of American life—from many of the shackles which have hampered it in the past two decades.

The philosophy behind this and other measures passed in this Congress and still pending is clear and simple. It states unequivocally that the economy, which signifies not merely Big Business but the entire people, can best flourish in an atmosphere of reasonable freedom from the inherently centralized power of the government. By eliminating many inequities in the federal control over business, it allows the economic life of the nation to move forward at a faster pace.

In an age where striking new opportunities have been opened up through the advent of atomic power and other massive technical developments relating to vital fields such as electronics, chemicals and a bewildering array of new metallurgical products, it is more essential than ever that every encouragement be given to business and industry to plan on a large-scale basis for the future immense requirements of the country. This objective is best served when the government as is now clearly evident in this Administration, takes the frank and practical course of stimulating business on business lines and without regimentation. We believe that this year marks only the beginning of a radical departure from the shallow semi-socialist doctrinaire bias of former Administrations and that the economy has a new foundation on which it can build in the years to come.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

THE SWISS WATCH AFFAIR . . . In raising the tariff on Swiss watch movements, the President, on the recommendation of the Tariff Commission, took a step which is mistakenly regarded by foreign trade interests as a reversal to high protectionism, and therefore, necessarily a key to American trade policies in the future. The uproar, both here and abroad, which followed the President's decree could have been expected, of course, in view of the importance which had been attached to the pending decision but we believe, on more sober reflection, it will be seen that the raising of the tariff in this particular instance was an isolated case and did not in any way indicate the government's basic approach to tariff problems.

The fact is, as the President himself stated, the decision to raise the tariff barrier against Swiss watch movements was based far less on a desire to aid the American industry financially than on recognition of the essentiality of the watchmaking industry in the United States with respect to defense mobilization. Watch makers are a highly

skilled group accustomed to working with the most exacting tolerances and fine measurements and as such are a priceless asset in the manufacture of much of the complicated electronics and other instruments and equipment used by our armed forces.

It is obvious that, for defense purposes, it would be foolhardy in the extreme to permit such a valuable pool of skills to be dissipated. Yet, under the impact of hard times in the American watchmaking industry, this is exactly what has been happening in the past few years. It is estimated that not less than half of the experienced men in this field have already left the industry to secure jobs where they could find them. Under the circumstances, it is logical that the President should have acted to preserve this vital element in our military establishment.

Whether or not the reasons given by the President will be accepted in the long run by his critics we do not know. The decision, undoubtedly, was a painful one for the President to make as he realized that his act might be construed as inconsistent with his known liberal attitude on foreign trade problems. Yet, the fact is that we have made enormous trade concessions in various parts of the world, and that we are still extending economic aid, let alone military aid, on a large scale. In view of these great contributions to the conomic welfare of the free world, it would come with better grace if our friends abroad regarded the President's action with less hostility.

CAPITAL INVESTMENT FUNDAMENTAL TO CREATION OF JOBS . . . When powerful union chieftains put forth their claims to higher wages and other important benefits, they generally tend to justify these demands by arguing that labor is entitled to receive an ever-increasing share of company earnings on account of its higher productivity. The contribution of labor to the increased output of the nation is undeniable but it is only fair to acknowledge that none of this would have been possible without the enormous capital investment required of industry to create new jobs and maintain employment generally.

Outside of specialists in the field, few seem to realize how much capital it takes to create a single job, let alone provide for millions. A few facts may throw some light on the situation. Among the principal industrial groups, it takes the aircraft and aircraft parts industry $4500 in capital investment ta privide for one employe; it takes $8400 in the electrical industry; $20,000 in the chemical industry; $41,000 in petroleum; $44,600 in distilling, and $47,800 in tobacco products. In actuality, these figures do not include present-day replacement costs so that new investment per worker would cost considerably more, according to current costs.

The investment of such large sums per worker entails enormous financial risks. For many industries, these investments cannot be recouped in full, even after heavy depreciation charges, outside of ten or fifteen years. In order that working capital be maintained on a level to assure growth–which means more jobs for the workers–dividends are often kept down to conservative levels. In any event, it is certain that the worker normally gets his full share of increased plant productivity long before the owners (shareholders) who put up the money to make this possible.

One of the more ironical aspects of the situation is that the labor unions, in presenting what is an inherently weak case, have had far greater success in somehow convincing the public that their argument is sound than management, which actually has a strong case but which has failed miserably in presenting its arguments. What management apparently needs is more effective spokesmen.

TROUBLES IN THE RETAIL FIELD . . . The difficulties that the retail field in general has been encountering are highlighted by a recent survey of the National Retail Dry Goods Association which shows that, on average, the net profit margin has dropped from 1.8% of sales in the fiscal quarter ended April 30, 1953 to 1.1% of sales in the periol ended April 30, 1954. While retail sales have been lower than a year ago, the chief factor in the drop in profit margins has been the constant increase in operating expenses, particularly labor. Unlike manufacturing industries where total labor costs can be adjusted to the volume of operations, the highly competitive retail business must retain its staffs to service its customers. This means that labor costs remain rigidly high, which is a decided disadvantage.

The larger retail establishments have been trying to counter this problem by improving efficiency and cutting other costs where they can. Also, they have been expanding their outlets in the newer suburban localities. Up to the present, none of this has helped greatly to maintain a reasonable satisfactory profit margin. What the stores need is a much greater volume of sales than the present. This can only come with a sharp and sustained increase in the total national volume of business. Until this materializes, it is likely that the retail field, in general, will continue to register a comparatively indifferent record so far as earnings are concerned.

WORKING CAPITAL OF CORPORATIONS RISES . . . The Securities and Exchange Commission has reported a moderate rise in corporate working capital during the first quarter. This amounted to $400 million, quite a modest gain but significant in the face of the $800 million drop which occurred during the last quarter of 1953. The record is quite noteworthy in view of the impressive corporate investment in plant and equipment of $5.2 billion during the period. About $1.6 billion of these additions was financed through new stock and bond issues, $700 million of the former and $900 million of the latter.

It is apparent that internal resources of corporations continue sufficiently large to provide for the bulk of expansion but this is facilitated by conservative dividend policies. Despite higher operating costs and the effects of competition, the liquid position of corporations has been maintained at 52% (ratio of corporate liquid funds in cash and government bonds to current liabilities). With the bulk of this year's corporation income taxes now paid, it is probable that working capital of corporations will continue to gain for the balance of the year. This will tend to support dividend rates even though earnings are moderately lower. In individual cases, where earnings have shrunk rapidly and finances are not strong, dividend rates, of course, do not possess this insurance.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907–*"Over Forty-six Years of Service"*–1954

As I See It!

By JOHN CORDELLI

TOTAL DEFEAT FOR THE WEST

The Geneva Settlement was a misfortune for the West, for it seemed to say to the fence-sitters in the neutralist nations of Asia that when the chips were down the West would not stand and deliver; that if they wished to escape the fate of those who trusted and believed in the West, and lost, as a consequence, they had better make their peace with the onrushing Communists. Not having been so deeply nourished by democratic traditions as the western peoples, they can fall easy prey to communist propaganda, especially when it is backed by visible evidence of success on the military and diplomatic battlefields.

Most serious of the effects of the Munich-like Geneva conference, even beyond the obvious strategic loss, is the fact that the communist powers have gained enormous prestige among the people of Asia, Africa, and, in all probability, Latin America, as well. In time, the effects of this disaster will be even more visible in every part of the world where the people and governments, often at their great risk, have tried to collaborate with us. What lesson can they take from Geneva, except that despite our proud words, they take a chance of being abandoned by the western powers?

In Indo-china, as a direct result of the "compromise" settlement, over a million new refugees have been added to those other melancholy millions who have been expelled from their homes or forced to flee when the communists took over in their countries. The list steadily grows longer: East Germans, Poles, Czechs, Roumanians, Hungarians, Koreans, Chinese and, now, the Indo-Chinese. Where next may we expect to see the hundreds of thousands trudging unknown paths and roads with their pitiful belongings as they flee the communist oppressor, and abandon to him the fruits of a lifetime of toil?

We take solace from the fact that the communists have magnanimously agreed to wait two years before calling an election in Vietnam, instead of calling for one in six months when, it is generally agreed, they would win. We should have no illusions on this score. The millions of Vietnamese south of the new demarcation line at the seventeenth parallel have already lost their confidence in the West, which they feel has let them down badly, and have no other recourse but to make the best possible terms for themselves with their future overlords. If the French did not learn how to gain the friendship of these people in the decades when they had control, do they now think that they can make up lost ground in a year or two? Nor are we in the United States in better state with the Vietnamese people for they feel we also turned our backs on them during the Geneva proceedings and, except for a few fair, pious words, did not offer them the real support they needed.

ISN'T EVERYBODY HAPPY?



Loring, in the Providence Evening Bulletin

It has been a very bad example to set before those Asian people who are still neutral. Even some of our friends are wavering. There has already been a definite reaction in Japan, as a result of the Indo-Chinese settlement. Japan is now cooling toward the United States and is making open overtures to the Chinese communists. With its economic position worsening, many influential voices in Japan are being raised to support a move that may eventually lead to much closer relations between that country and Red China, a prospect that cannot give us joy.

Thus we see that the great communist victory at Geneva is likely to have effects of a snow-balling character. In relatively close proximity to the powerful and successful communist powers to the north, it should not be surprising that important Asian nations like India, Burma and Indonesia are already far closer diplomatically to the Soviet bloc than they are to the West, especially now that we have defaulted.

This is the worst possible position for us to occupy. While there is still time, we must make every effort to convince those who are still on our side but who are commencing to waver that we will not sacrifice them as pawns when the going gets tough for us.

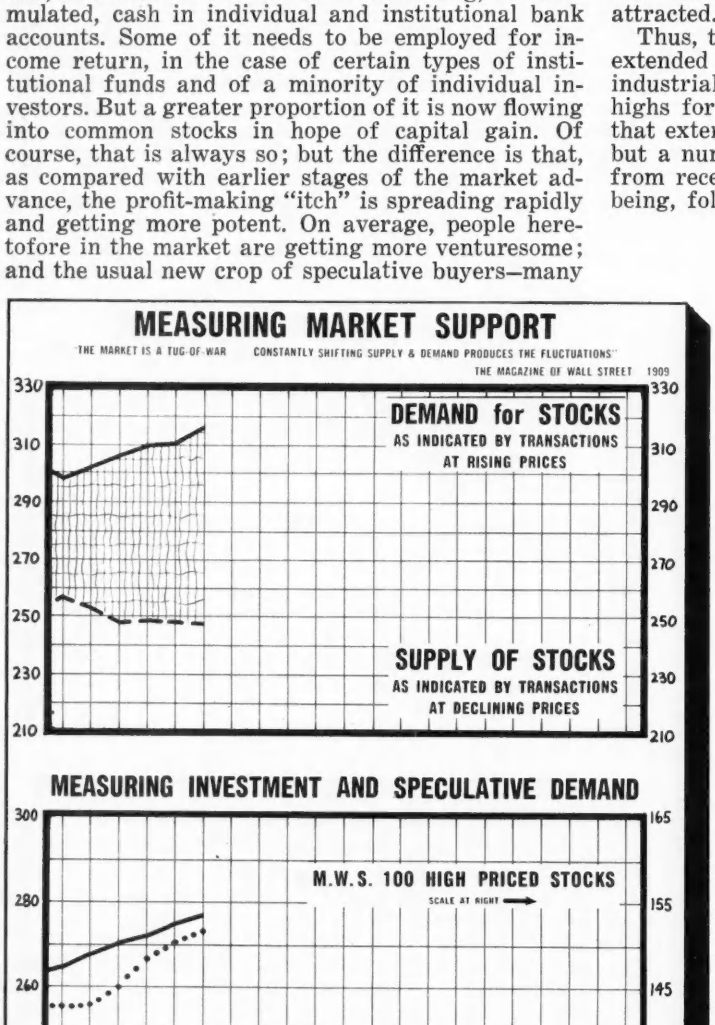
Market Growing More Speculative

Through months of self-advertisement, the bull market is now attracting an increasing public following. In a further strong rise over the last fortnight, leadership shifted to a considerable extent from Blue Chips to secondary and speculative issues. With the risks increasing, careful selectivity is essential and adequate reserves should be maintained.

By A. T. MILLER

There is still a greater inclination among investors and traders to hold or buy stocks than to sell; and there is no lack of accumulating, or accumulated, cash in individual and institutional bank accounts. Some of it needs to be employed for income return, in the case of certain types of institutional funds and of a minority of individual investors. But a greater proportion of it is now flowing into common stocks in hope of capital gain. Of course, that is always so; but the difference is that, as compared with earlier stages of the market advance, the profit-making "itch" is spreading rapidly and getting more potent. On average, people heretofore in the market are getting more venturesome; and the usual new crop of speculative buyers—many of them of the type that never gets interested in stocks until after they have had a broad advance and the low-priced issues start moving—is being attracted.

Thus, the protracted advance in stock prices was extended again over the last fortnight. The Dow industrial, rail and utility averages reached new highs for the bull market, making it unanimous to that extent. Some Blue Chips forged ahead further, but a number of others are either down somewhat from recent highs or at least stymied for the time being, followed previous over-exploitation.



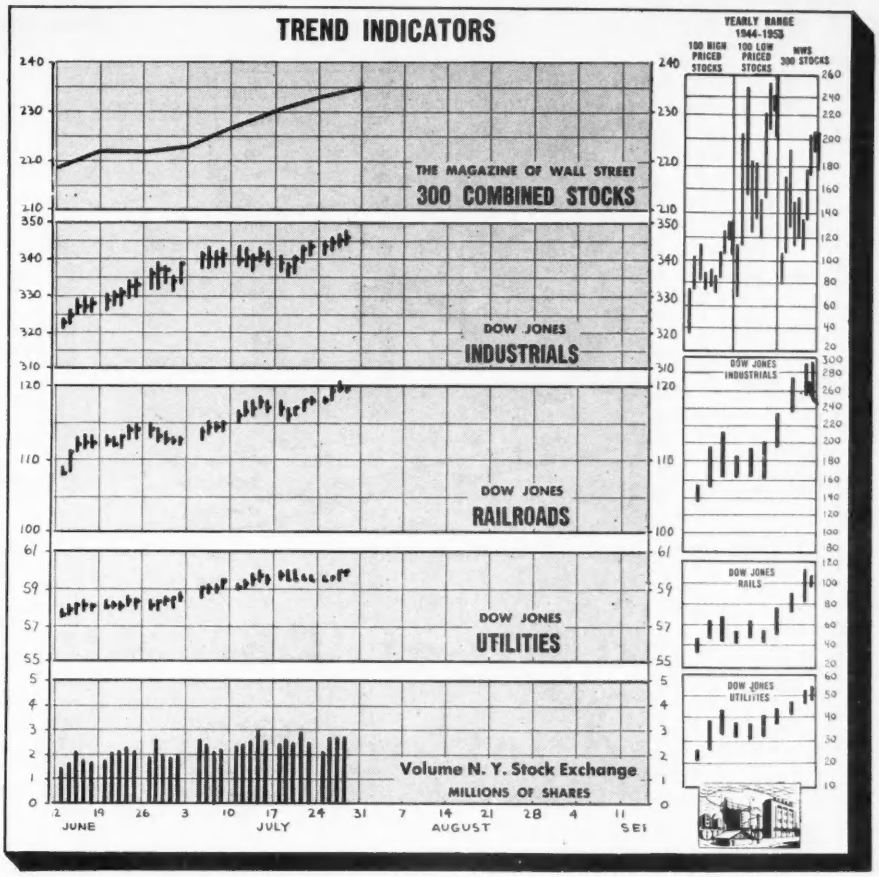
Shift In Leadership

In any event, the institutional-grade stocks are no longer holding as much of the spotlight as they had done for many previous months. Buyers are "trading down" more, partly because of the degree to which prior rise has reduced the yields and the profit potential in Blue Chips; partly because it is the normal tendency of buyers at an advanced and exciting market stage. It has been so at times when the average Blue Chip income stock or the average growth stock were at less advanced levels than is the case now.

With more secondary and speculative stocks "getting into the act" than in a long time, the market—which is to say the general run of stocks—has recently been outgaining the Dow industrial average, whereas the reverse was so earlier. That is reflected in the performance of our broad weekly index of 300 stocks; and, more significantly, in recent gains sharply wider for our index of 100 low-priced stocks than for the index of 100 high-priced stocks. As seen in the high proportion of our weekly stock-group indexes recently setting new highs for the year or longer, the market is now less selective. That is also indicated by the sharply increased proportion of speculative stocks among the large total of individual issues which have been making new highs daily over the last fortnight, and by their heterogeneous character. The fact that some other people are now more

inclined to "play the market" is no good reason why you should become less discriminating and prudent — for what you keep in the long run is what really matters.

One feature of the market is speculative response to merger news or rumors. Not since the pre-New-Deal 1920's have so many corporations been taking over so many other corporations, by exchange of stock and merger or by purchase of controlling stock interests. There have been scores of examples since the Fair Deal, which looked askance at any semblance of "industrial concentration," was ousted in the autumn, 1952, election. The most significant recent ones have been in the textile field, featured by Burlington Mills buying of controlling stock interests in Pacific Mills and Goodall-Sanford; and now "on the fire" are similar moves in the steel industry. If Bethlehem Steel gets Youngstown Sheet & Tube via recent and continuing negotiations—and there is no great squawk from Washington — other steel mergers (always excluding the already giant U. S. Steel) no doubt will follow.



Mergers may or may not result in increased earnings and dividends; and, at best, cannot do so for some time. Yet, on merger news or rumor, the present more speculative market immediately puts a higher price on the stocks of both the sought company and the acquiring company. Thus, on confirmed news of merger negotiations, Bethlehem rose 2⅝ points and Youngstown 5⅛ points in the closing trading session last week. Now speculators are busy trying to guess which other smaller or medium-sized steel companies might be sought for merger by larger companies.

Recent features of group behavior include sharp rallies in some sections which had been depressed or under some previous special pressure, such as oils, distillers, ethical drugs, rayon and other textiles, and the cigarette stocks. Others were extensions of prior strength in aircrafts, building materials, coppers, finance companies, dairy products, food brands, machinery, paper, department stores, mail order stocks, natural gas, shipbuilding and tires, among others.

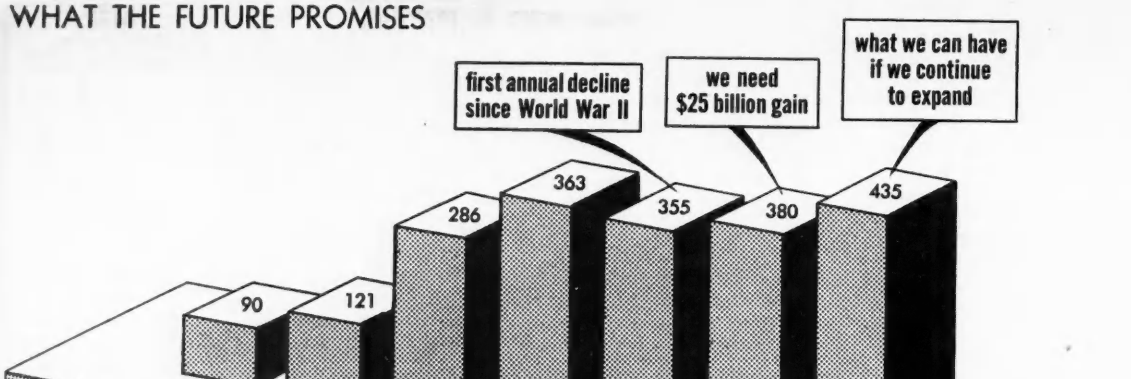
How High Is The Market?

While quite mixed, the second-quarter and first half earnings reports issued to date make a satisfactory over-all showing. The trend of total dividends is slightly upward. It is a moot point whether recent stabilization of business activity will be followed by autumn improvement, or whether some further interim sag will precede any lasting turn for the better. Moderate variations, either way, probably would not affect the stock market much, if any. The Administration's easy-money policy appears to have been carried about as far as it is presently planned to carry it.

Broadly speaking, rising stock prices are putting higher and higher valuations on largely static total earnings and dividends—or, at least tending to outrun earnings and dividend potentials for some time ahead. The principal factor now working on the bull side is confidence. At some stage, impossible to pinpoint in advance, it probably will become overconfidence and over-speculation, followed by substantial, market decline. Meanwhile, the position is not yet extreme, as measured by time-tested criteria, and market vulnerability to anything worse than limited technical corrections is not evident.

In this connection, it is logical to point out that any speculative excesses which may develop in this market are likely to be quite moderate in comparison with the wild market movements of the twenties. To repeat some well known facts about the market of the mid-fifties, as compared with that of the twenties—margin trading is conservative; most investors are well supplied with cash; there is a large preponderance of "institutional" buying; manipulation is almost impossible, owing to SEC restrictions. Under these circumstances, the wildly girating markets of the past are not so likely to reappear.

The Dow industrial average has risen about 36% from the low of last September, about 114% from the 1949 low. It would (*Please turn to page* 608)



How To Meet The $25 Billion Production Rise Needed

By HAROLD DuBOIS

Government and private economists are agreed that our national output of goods and services must be upped $25 billion within the next 12 months lest we experience an economic let-down of unpleasant proportions. In 1953 the gross national output was close to $367 billion although the number of unemployed mounted to around 3.8 million. At mid-year, an economic contraction set in and by the first quarter of this year the national output was down to an annual rate of $368 billion. Further slackening of demand and production could hammer 1955 output down to $360 billion, while a $385 billion level is needed if we are to maintain full employment and have our economy keep apace with our mounting population.

The projected picture is unpleasant to say the least. The Administration doesn't like it, business takes even less pleasure from it, while the average man in the street is not exactly aware of it, although he senses "something is wrong, somewhere along the line." Parenthetically, this reporter doesn't like it either, but after searching around he feels he has found where a major portion of the $25 billion "plasma" for our economic blood stream might be found. There is no intent to be a Pollyanna or a starry-eyed dreamer, but he has gone to considerable pains in his search.

If the entire sum has not been found, perhaps the failure is because the volume of statistics available from Federal, State and private agencies, was of such magnitude as to preclude accurate compilation for an article of this length. Certainly we have the manpower and the physical assets to step up production by $20 or $25 billion in the next 12 months, but there is a certain amount of hesitancy on the part of business and Government to "go ahead." Our needs are well known. There is no doubt as to the value of the myriad of projects now blue-printed but, unfortunately, gathering dust in the fear that "we cannot afford them."

The Needed Steps

In projecting ways our national output can be substantially raised in the next 12 months, the writer would stress that he has not found means in every instance, but he would point out some of the things he has learned that are hopeful indicators.

First, let us take the ever-unpopular subject of taxes. We are all agreed we would like to have them lower, and they have been lowered by $4.5 billion per year. Individuals will get $3 billion of the reduction, corporations $1.5 billion. There is no accurate way to forecast just what the individuals will do with their tax savings, but human nature being what it is, one would not be far wrong in predicting that at least 90 percent of the $3 billion will rapidly find its way into the channels of trade—for a new TV set, a better car, clothing, furniture, or the 1,001 other things humans want for a more comfortable existence. The savings to corporations will follow one of two routes—more dividends for stockholders or plant expansion, with perhaps a portion placed in reserve as working capital.

Next, we would look at highways and construction generally. President Eisenhower's proposal to

the recent Conference of Governors that we embark upon a joint Federal-State Highway program of $50 billion, spread over the next 10 years, was received with polite applause one day, but ran into objections from the Governors the next. Briefly, the Governors fear Federal aid in so large a program would bring even greater Washington control of matters primarily the concern of the individual States. In effect, the Governors said, "Put an end to Federal taxes on motor fuels and the automobile user, and the States can do the highway job without Federal aid." Meanwhile, recently enacted legislation authorizing $875 million in Federal highway aid for the fiscal year beginning next July 1 will be felt during the current fiscal year. The States are going ahead on the basis of this authorization, speeding up the letting of contracts to the tune of $100 million over and above the amount that normally would be signed.

Elsewhere on the highway scene, non-Federal agencies, such as the American Road Builders Association, National Highway Users' Conference, The American Association of State Highway Officials, and the National Turnpike Association, estimate State, County, and Municipal highways and thruway construction—none aided by Federal funds—at an all-time high of $6.8 billion in the next 12 months, a gain of $1.4 billion in a single year. With respect to thruway construction, of which there is now $3 billion completely planned over the next three years, these projects having the advantage of being self-liquidating and, when completely amortized, become sources of revenue for other State uses. In addition to the $3 billion of completely planned projects, the years 1955, 1956 and 1957 will see approximately $5 billion more come off the drafting boards. In addition to being self-liquidating, thruways promote and stimulate traffic, bringing producer closer to market, and then in turn brings increased demand for goods and services.

The construction picture improves. The Departments of Commerce and Labor now estimate new construction expenditures for this year will reach a record high of $36 billion. This, unfortunately, is a gain of only $700 million over the preceding 12 months. The Departments attribute the gain to increased private non-farm dwelling unit starts, and stepped up outlays for new office buildings. Also on the upswing are schools, hospitals, churches and educational institutions. On a gloomier note, there is comment that construction of new private manufacturing plants is declining, slowly, while utilities construction will advance very little.

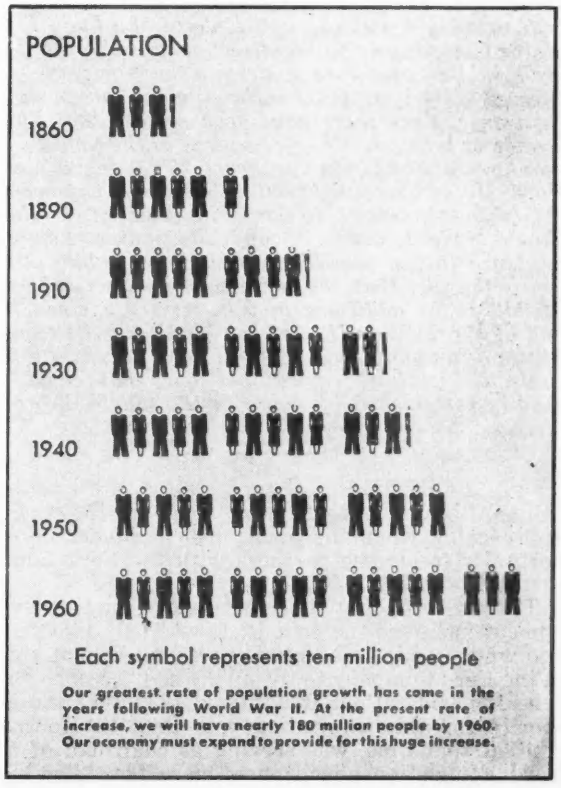
Plans of Large Corporations

At this point the writer would digress and be critical of the report mentioned in the foregoing paragraph. There is no reference to industrial construction as such. Perhaps it is lumped in "outlays" for new commercial structures of all types." The report states the increase in this field will be about $2 billion, while the writer finds that some of our greater corporations have plans totalling approximately three times this sum. Among these are General Motors, Ford, The Texas Company, United States Steel Corporation, Union Carbide and Westinghouse—to name an even half dozen. Perhaps all of this expansion will not take place within the next 12 months, but a good percentage will be completed in that time.

In noting that utilities construction will advance very little, the two Federal Departments apparently had reference to transit facilities in the larger cities. Searching for information in other areas, the writer finds about $1 billion of new communications and power generating facilities planned for immediate start. As this was written, the American Telephone & Telegraph Co. announced a new 800-mile cable system to link Alaska with every State in the Union. These are certainly utilities. Perhaps the Government Departments had in mind that the railroads' capital outlay during the coming 12 months will decline by about $100 million. On the other hand, major airlines outlays for new equipment and facilities will advance by around $80 million.

Aircraft Procurement at Home!

This would be a logical point to bring in aircraft procurement for defense, particularly off-shore procurement for the nations of Europe now receiving military aid from this country. The approximate dollar value of planes purchased in Europe is not obtainable from Government sources – it is classified information of the most rigid sort. Department of Defense officials admit it is "no inconsequential sum." In the meanwhile, it is no secret that aircraft builders in some of the European countries are both wasteful and laggard in output. They spend too much money – despite lower labor costs tha our's – and they spend too much time on each unit turned out. The time lag has become of such concern to The Pentagon that, "off the record," top personalities in the Air Force will tell you most fighting aircraft of foreign construction are *obsolete by the time they reach the end of the production line.* This however, and in all fairness, is not true of our (*Please turn to page* 606)



Will FORD MOTOR Offer Shares To The Public?



The Ford Co. River Rouge Plant

By L. A. LUKENS

(Curiosity about the activities of the huge Ford Motor Company is by no means confined to the general public. Investors generally have always expressed a lively interest in its affairs, now more so than ever, since there have been reports that Ford, sooner or later, would offer shares to the public in a giant recapitalization program. The facts about Ford Motor are always interesting and may prove something practical to have in advance if Ford should, indeed, decide to offer its shares. Lending credence to the possibility of a Ford public offering is the fact that the company has expended over $1 billion in additions and betterments since the end of World War II, and has plans for the expenditure of an additional $600 million. This is a large drain on working capital but one that could be readily replenished by going to the public—Editor's Note.)

THERE is nothing certain about it yet but in financial circles there is an idea that the time is approaching when the public will be given the opportunity to become partners with the Ford family in the Ford Motor Co.

This isn't the first time that talk of such a development has gone the rounds. It was only two years ago when gossip was to the effect that sale of stock in the Ford Company to the public had "recently" received consideration. It was said then that the authority for this informtion was Paul G. Hoffman who, at that time, was serving as chairman of the Ford Foundation which owns more than 3 million shares of Class "A" stock of the company. This is non-voting which passed to the Foundation in April, 1947, under the will of Henry Ford.

Control of the company is vested in the Class "B" voting shares. These shares, following reorganization of Ford Motor in 1919 as a Delaware corporation to give wider scope to its operations, were owned by Henry Ford and Edsel Ford, his only son. Since the demise of the founder of the company and Edsel, the major Class "B" stockholders, according to last report, were members of the Ford family. On the basis of available information Mrs. Edsel Ford held 20,717 shares, and the balance held by her three sons, Henry II, president of Ford Motor since 1945, Benson, vice-president and general manager of the Lincoln-Mercury Division, William, vice-president and general manager of Special Products, and their sister, Mrs. Josephine Ford. Each own 36,471 shares.

Will They Sell?

These five individuals, mother, daughter and the three sons, therefore, control one of the world's greatest industrial enterprises. It may be that for personal reasons they will want to keep it that way until some circumstance causes them to do otherwise, through choice or expediency. One possible development could be the death of one of the principal Class "B" shareholders, creating inheritance taxes of such proportions as to bring about a sale of some of the shares to the public. This, of course, is only surmise. It must be remembered that in discussing the affairs of the Ford Motor Co., on the less than

complete information at hand, one is also discussing, in a sense, the affairs of the Ford family.

The fluidity of the Ford family fortunes is not public information and it is difficult, therefore, to say what precise course would be followed by the survivors should one of the family members owning Ford stock pass away. Moreover, it is possible that there is some agreement, tacit or otherwise, between the late Henry Ford and his grandsons relative to control of the company. It should be noted that following the death of Edsel, Henry Ford reassumed the presidency and was undoubtedly always conscious of the fact that the three grandsons were the heirs apparent to the managership. It is reasonable to believe he indoctrinated them on the policy of maintaining control.

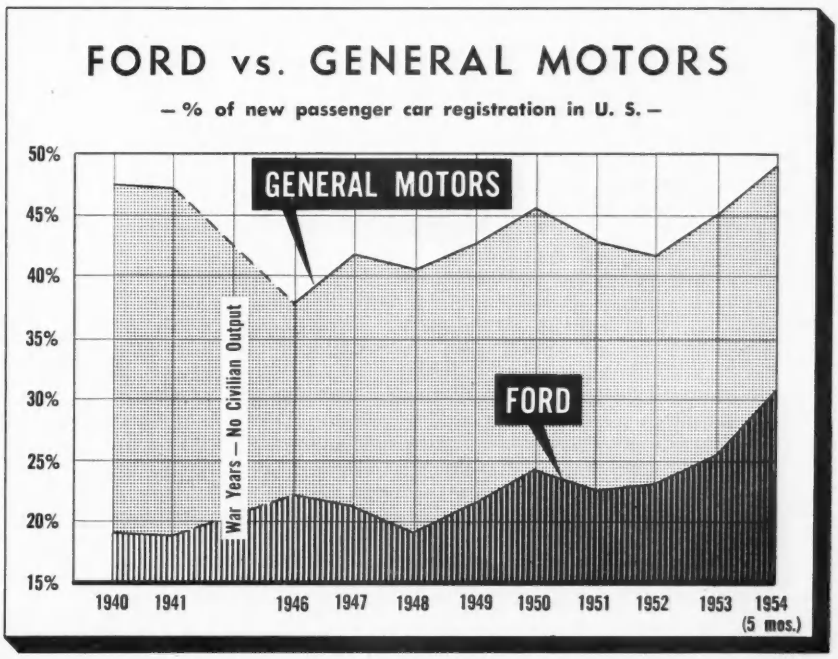
Henry Ford, as has so often been written, had an antipathy toward bankers. This is true, perhaps to the extent that he didn't want finance capitalism getting its foot in the Ford door, and then barging in to shape operating, selling and dividend policies. There was a time when Ford needed money. This was back in the Spring of 1921. About two years before this he borrowed $70 million on notes to buy out the other stockholders—John and Horace Dodge. They sold him their original $10,000 par value shares for $25 million. In 1921, he still owed $33 million on these notes; another $18 million was due to the Government as the final instalment on 1920 income tax. He had $20 million in the banks, but this was reduced to $13 million by the $7 million he distributed as a "bonus" to unemployed Ford workers to help them in their difficulty. The Highland Park plant had been shut down because of the depressed economy from which practically the whole nation was suffering.

Undoubtedly, there were people who relished the thought that Henry Ford and his Ford Motor Co., were on "the rocks." Ford was probably aware of this sentiment and the knowledge, without doubt, steeled an already strong will. In any event, it was said that when a representative of a banking group called on him to offer a loan with strings attached that meant yielding control of the company, Ford cut the interview short and showed his visitor the door.

It was shortly after this episode that Ford began to convert his stock of finished cars into cash by forcing his dealers to take delivery, even if they had to borrow money to make payment. By the end of March, 1921, enough cars had been worked off to raise approximately $24.7 million. Pressure was exerted to get in accounts receivable, and holdings of Liberty Bonds were liquidated to account for another $8 million. These and other items brought the total to $39.3 million which, added to money in the bank, made a grand total of $52.3 million. This was more than enough. The shoals were avoided and Henry Ford continued to have a characteristically powerful hand on the helm.

Ford Gets Rid of Partners

This incident highlights the man's unwavering determination to maintain his control of the company. He undoubtedly was proud of his accomplishment, and justly so, in building the company, although in the first 10 or 12 years he was assisted by the capable technicians who were put on the payroll, and the keen, hard-working James Couzens. From the beginning, Henry Ford, the mechanical genius, took charge of production while Couzens, on the business end, served as advertising and sales manager, comptroller, and in various other capacities. It is difficult to measure Couzens' contribution to the success of the business from the time of its formation to some time in 1915 when he and Ford came to the parting of the ways. Couzens was one of the remaining minority stockholders who in 1919 sold his shares to Ford for a reported sum of slightly more than $29 million. Among the group was a Mrs. Hauss, a sister of James Couzens. She had put $100 in the Ford company at the time of its formation. For her interest, on which she had collected $98,000 in dividends, Ford paid her $260,000. With the completion of these individual transactions, Henry Ford was now free of all inside opposition. He and son Edsel were the sole owners, with no other stockholders to answer to. There was no more necessity to battle with the Dodge brothers, Couzens or anyone else about how much of earnings should be paid out in dividends. During the year 1915, for instance, the company distributed $16.2 million to its stockholders, it being agreed in 1912 that 15% of each year's profits be appropriated to increase productive resources. Part of the program called for erecting branch assembling plants throughout the country. As were many innovations in Ford operations and policies, this was Ford's idea and he wanted to restrict dividends so as to be able to employ a greater portion of net earnings for future growth. Ford was dominated by



Scope of Ford Foreign Operations

1. FORD MANUFACTURING PLANTS OUTSIDE OF UNITED STATES:

Country		Location
Australia:		Geelong
Canada:	Windsor,	Ontario
England:		Dagenham
France:		Poissy
Germany:		Cologne

2. FORD FOREIGN ASSEMBLY AND SALES OPERATIONS:

Country		Location
Argentina:		Buenos Aires
Australia		Sydney
Belgium:		Antwerp
Brazil:		Sao Paulo
Canada:	Oakville,	Ontario
Chile:		Santiago
Denmark:		Copenhagen
Egypt:		Alexandria
Eire:		Cork
Finland:		Helsinki
Italy:		Bologna
Malaya:		Singapore
Mexico:		Mexico City
Netherlands:		Amsterdam
New Zealand:		Lower Hutt
Portugal		Lisbon
South Africa:		Port Elizabeth
Sweden:		Stockholm
Uruguay:		Montevideo

the desire to build the best automobile possible at the lowest cost and get them into all segments of the world at the least cost, so as to appeal to the greatest number of the masses. He was certain that his efforts would later alter the world's way of life, provide jobs for countless thousands of workers, and raise the standard of living for all humanity. His idea of placing the automobile within the financial reach of everyone was original and set in motion a world-wide industrial revolution. Before his death in 1947, he had built an industrial empire which had manufactured more than 31 million automobiles and more than one million tractors.

Henry Ford, too, was an innovation. He came up through the "hawse pipe", endured many privations and frustrations in his early manhood. Because of these experiences he might have become imbued with a distrust of those in certain walks of life or engaged in certain fields of activity. It may be that his determination to maintain control of his company became an obsession and to such an extent that he never really delegated authority to any one of his aides.

A Change in Policy

It was not until Edsel reached maturity that more responsibility was laid upon his shoulders. The father had great confidence in the son who had formed ideas of his own regarding plant management and public relations. Some evidence of this confidence is seen in developments that took place shortly after Edsel had been elevated to the presidency in January, 1919. Ford who had insisted on building low-priced cars purchased the Lincoln Motor Co., three years later, and by 1938—Edsel still was president—began producing the Mercury line of cars. Four years later, however, World War II halted civilian car production and the company concentrated on building Liberator bombers. By August, 1944, the new Willow Run plant reached peak monthly production of 432 of this type of plane.

In the meantime, Edsel had passed away. Henry Ford, now 81 years of age, relinquished the presidency, and Henry Ford II named in his place. This latter event apparently began a new chapter in the history of the Ford company. Several significant developments immediately ensued. The Lincoln-Mercury Division was established to assemble and market Lincoln and Mercury cars. Shortly after, the new management organized the Ford Division to assemble and market Ford cars and trucks. This was followed by creation of Special Products Operations, a new organizational component of the company. Under the leadership of Henry Ford II, these moves represented the complete reorganization of very division of the business under a decentralization policy. Each division and each plant has authority and responsibility that was unheard of during the old regime. Gone is the one-man rule, amounting to autocracy, practiced by the founder. In place thereof, Henry Ford II created a number of key posts filled by men drawn from top positions in the automotive industry.

About a score of operating divisions are responsible for manufacturing materials and basic parts for company products. These are organized under three manufacturing groups—Basic Products, Aircraft Engine, Tractor and Machined Products, and Engine and Pressed Steel. These groups in turn are responsible to the vice president of manufacturing. Final assembly and sale of Ford, Lincoln and Mercury passenger cars and Ford trucks is the responsibility of the Ford and Lincoln-Mercury Divisions. Company policy is determined by a committee composed of all staff and operating vice presidents under the chairmanship of the executive vice president, Ernest R. Breech—a non-member of the Ford family —formerly a General Motors vice president.

Along with this extensive reorganization of its engineering, production and distribution activities has been Ford's postwar expansion program. Since January, 1946, it has spent more than $1 billion to modernize and expand. About $100 million has gone into the River Rouge facilities that cover nearly two square miles and includes more than 100 miles of railroad tracks, the world's largest foundry, blast furnaces, machine shops, coke ovens, steel and rolling mills, a glass plant, and scores of other huge industrial works.

While the Rouge plant continues to be the heart of the great Ford industrial empire, the pattern set by Henry Ford, Sr., in establishing branch assembly plants in various parts of the country, has been extended by the new management opening new manufacturing and assembly plants for Ford and Lincoln-Mercury products. Since the end of the war, it has purchased or built new manufacturing plants at various points and expanded other manufacturing facilities, in addition to those at the Rouge. Modernization and expansion of foundry, engine and stamping plants have been one of the most imposing areas of the company's postwar program. In executing its plans, Ford, generally credited with being the pioneer in factory automation, has adoptd new tech-

niques—linking several transfer-type machines together with automatic materials-handling devices—bringing automation to its highest point of development in the company's new foundry, and stamping and engine manufacturing operations.

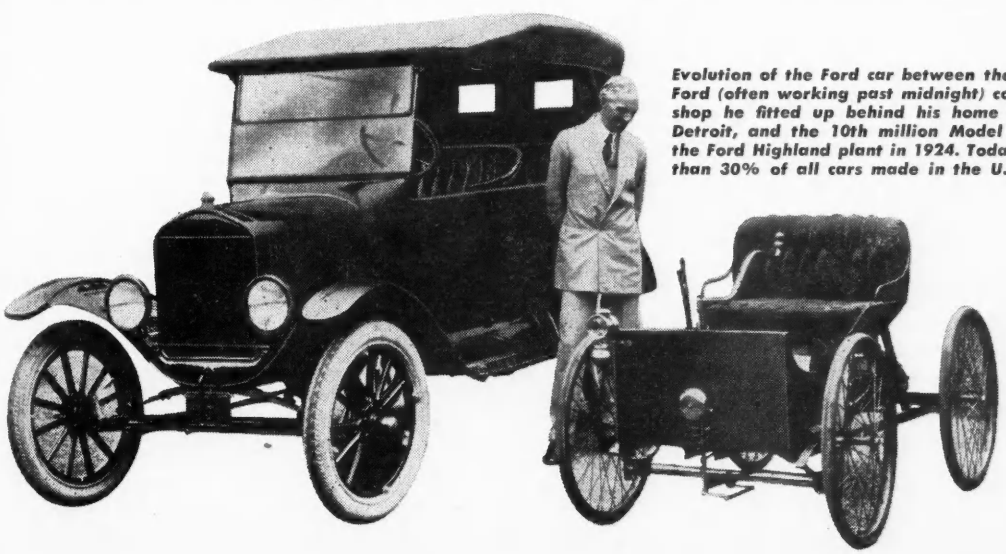
Wide Geographical Distribution

All of the stress, however, is not laid on new facilities and greater manufacturing efficiency. Ford's "board of managers" recognize the importance of its great dealer organization here and abroad being able to sell what the company produces. This is one reason why it has been building new parts depots and new assembly plants throughout the country. These facilities enable it to give fast service to its dealers who are getting additional help by Ford's aggressive advertising campaigns via local and national media of practically every type exploiting Ford, Lincoln and Mercury passenger cars and Ford trucks.

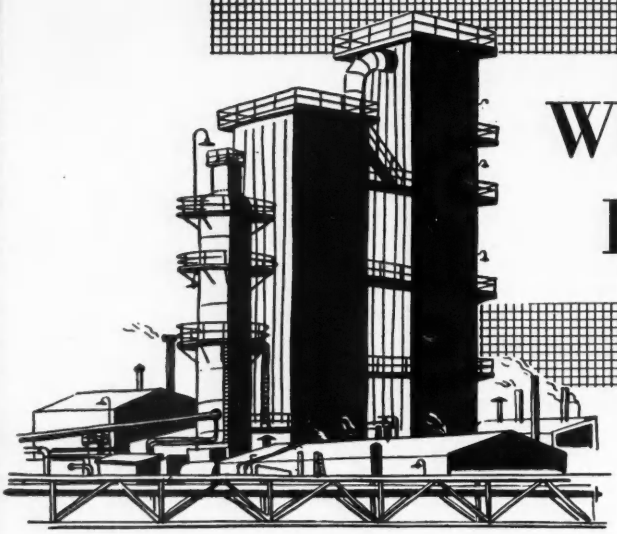
Intensive sales promotion work on Lincoln and Mercury cars also reflects Henry Ford II's attitude about producing cars that he thinks the public wants, although this does not lessen his desire to have the Ford car regain the dominant position it held up to about six years ago when Chevrolet took the lead in new passenger car registrations in this country. Based on 1953 figures, GM's low-priced unit continue to hold this lead but by a smaller margin than in the early postwar years. In June of 1954, Ford Company dealers had the biggest sales month in history. Sales volume for Ford, Mercury and Lincoln cars and Ford trucks totaled 222,816 units. This was 104% over June 1953, and brought first half-year sales to 1,040,099 passenger cars and trucks, a gain of 41% over the like 1953 period, and was the biggest first half-year in Ford's 51-year history. For the 1954 half-year Ford production totaled 750,049 cars or 10,220 units behind GM's Chevrolet output of its U. S. and Canadian plants. These figures compare with 1953 first half Chevrolet production of 774,262 units and 504,706 of Ford cars.

Up to the present, Ford projects embodied in its expansion program have included 13 new manufacturing plants, 7 new assembly plants, 16 new parts depots or warehouses. Four new engineering buildings, and the enlarging or modernizing of other plants or facilities. The end is not yet. The company has plans to invest an additional $600 million in plants, office buildings, and service facilities. This sum may be only part of total expenditures. Very recently, Benson Ford is reported to have said the company is now considering the greatest modernization and expansion program in its history. It is expected that before the end of the year a decision will be made on how far the company will go with its new plans. Up to the present time, all the postwar expansion has been financed completely out of earnings. *There is a widespread belief in the automotive industry that after spending a billion or more to date, Ford Motor Co., will want to maintain a strong working capital position and if it decides to follow through with further expansion it may go to the public for the money.*

As has already been said, there is nothing certain about this. Although Ford today is a somewhat different company from that of less than a decade ago it still regards most details concerning operations, etc., as "classified". However, rumors of a public offering of stock by the company have aroused interest of investors and created great curiosity in financial circles. There is considerable conjecture as to what form the offering will take, if it is made; that is, whether it would be in debentures, preferred stock, or common shares, and how much of an issue it would be. Before any such move is made, it would probably be necessary to set up an entirely new capital structure. As it now stands, there is no funded debt, and at last report, the capital stock is divided into 172,645 Class "B" voting shares, held by the Ford family, and 3,089,908 non-voting Class "A" shares, all held by the Ford Foundation. It is a generally accepted fact, based on statements attributed to Paul G. Hoffman while he was the Foundation chairman, as well as to some of the other trustees, that it would be more desirable if it could liquidate some of its Ford "A" shares, substituting other securities so as to have more diversification. Ford company management may take this into consideration in connection with any plans it may have to offer stock of the company publicly. This, (*Please turn to page* 603)



Evolution of the Ford car between the 1896 model Henry Ford (often working past midnight) constructed in a little shop he fitted up behind his home on Bagley Avenue, Detroit, and the 10th million Model "T" turned out by the Ford Highland plant in 1924. Today, it turns out more than 30% of all cars made in the U.S.



What 2nd Quarter Earnings Reveal

— Looking to 3rd and 4th Quarters —

Part I

By WARD GATES

While a substantial number of important industrial companies have yet to issue their first half reports, there are already indications from the reports available (1) that sales dipped but that the extent of the dip varied considerably as between the major industrial categories and (2) that net earnings, on the whole, were well maintained for those companies which had fared relatively well during the first quarter; but in most instances where first quarter trends were lower, the unfavorable trend was continued over into the second quarter, resulting in an unsatisfactory first half record.

Increases were slightly greater in number than decreases. In a sampling of over 125 reporting companies, there were 68 increases in earnings and 57 decreases in the first half of the year as compared with the corresponding period of 1953.

Conditions in the steel industry were mixed, the larger, integrated concerns showing a reasonably high profit margin, considering the drop in sales, whereas the "marginal" companies, including companies in specialized steel products, experienced quite severe declines. Among the basic industries, the chemical concerns showed up comparatively well. Paper companies continued their impressive earnings record and this would include the canning and packaging industries, in general. Companies engaged in construction activities, especially cement, came through with a satisfactory record of earnings with a fairly well marked tendency to increase in the second quarter.

In the distributive trades, the tendency was mildly downward so far as profits were concerned, more or less paralleling the national drop in sales, as compared with the first half of last year. While hard goods have declined relatively faster than consumer goods, the latter category has been by no means immune, as witness the sharp decline in the apparel trades. Textile companies, generally, have been very disappointing. But among the recently depressed industries, shoe manufacturing has had a turn for the better.

Where increases in earnings have occurred against a background of static or declining sales, the accountable factors have been two: (1) the cushioning effect of the ending of the excess profits tax, which has had a striking effect among these companies which have been in the upper income tax ranges (aircrafts and machine tools are a notable example) and, (2) a widening of profit margins due to elimination of high-cost operations. This latter has been rendered possible with the decline in factory operations, permitting the elimination of high-cost labor (over-time) and the less effective workers who had been hired during the period of greatest demand for labor, after the Korean war. Other reductions in costs, particularly in administration costs, have also proved effective, in many cases, in widening profit margins even where sales have declined.

Six months' earnings, which we have indicated to be somewhat mixed but with a slight preponderance of gains, must be viewed against the broad economic background of a 10% cut in production and a decline in sales averaging some 8% which took place in the past year. Since the end of the first quarter, the drop in production and sales has been leveling off which is one of the factors enabling corporations to maintain profit margins on a reasonable scale during the second quarter.

From present indications, after the summer lull, there are expectations that the leveling-off process will give way to a slow upward climb. However, this will become clearer at the end of summer.

In the next issue, covering Part II of this analysis of earnings trends, we intend to survey these prospects more fully.

In the meantime, we present below our analysis of several of the more significant reports just issued. In the case of Du Pont and General Tire, sales figures were not published. Hence they are not included in the table but their earnings are reviewed textually.

REPUBLIC STEEL CORP. Considering the sharp drop in production, Republic Steel came through

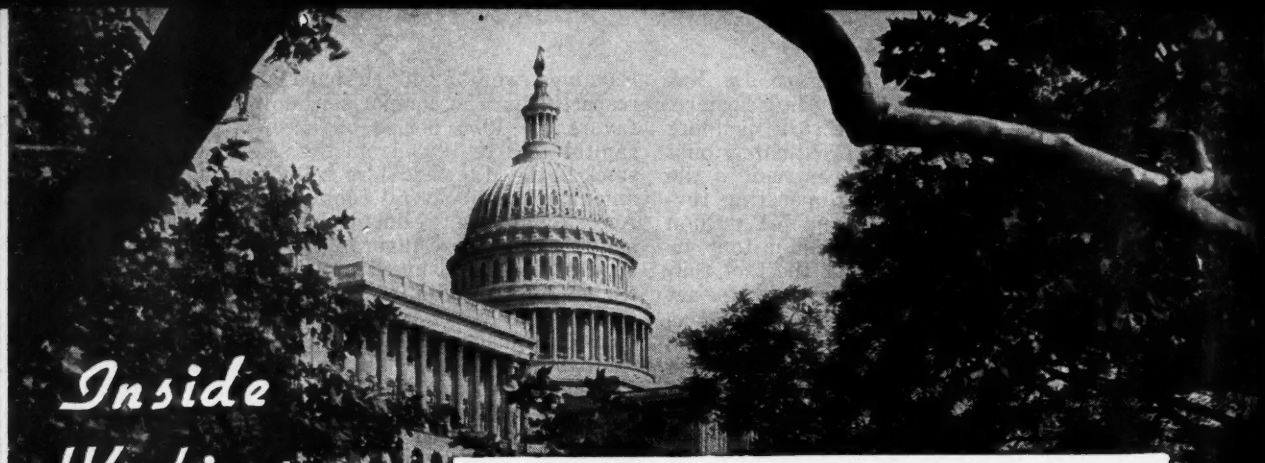
the first half of the year with flying colors. Net income amounted to $24.7 million, or $4.01 a share, compared with $28.7 million for the corresponding period last year. This decline of approximately only 14% in net income is in striking contrast to the more than 26% decline in sales and operating revenues. Production itself declined from 5.1 million tons in the first half of 1953 to 3.4 million tons, or about 33%. To a considerable extent, the fact that a higher percentage of sales was brought to net income than could have ordinarily been expected as a result of the decline both in sales and production, was due to the end of the excess profits tax. Last year, Republic paid $20 million in excess profits tax and the absence of this tax is revealed in the company's figures for the half year. In that period, it paid only $27.6 million in income taxes against $62.6 million last year. Another factor in the relative maintenance of earnings, no doubt, was the elimination of high cost operations, especially labor. This, incidentally, has been a feature of steel operations generally. From all indications, the steel industry has gone through its poorest period for the year and while substantial improvement is not anticipated, it is probably true that average quarterly earnings for the balance of the year can approach at least those of the second quarter. In that period, the company turned up with $2.22 a share, compared with $2.44 a share in the corresponding period in 1953. Assuming this figure to be indicative of results for the final half, it is likely that the company can come close to earning $8 a share. This would compare with earnings of $9.25 a share in 1953.

GENERAL TIRE & RUBBER CO. While sales of $96.6 million for the first half of its fiscal year, which ends in May, was the highest in history, net income did not quite keep pace with the corresponding period of 1953. In the six months, net income was about $3.3 million against about $3.5 million. Earnings were $2.45 a share and $2.73 a share respectively. The comparison, however, in actuality favors the 1954 period on account of a $900,000 capital gain in 1953 from the sale of General Tire stock in the Mansfield Tire & Rubber Co. This profit amounted to about 50 cents a share, after taxes. According to the president, the sales comparison was actually even more favorable to 1954 than indicated on the record inasmuch as the 1953 statement included $5.8 million sales from the Pennsylvania Rubber Co. which was transferred on a royalty basis to Mansfield Tire in the last half of 1953. The company no longer has an interest in Mansfield. Furthermore, the report includes only one month's earnings from the new acquisitions, Bolta Products and Textileather Divisions. A reasonable estimaate for fiscal 1954 earnings would be $4.50-$4.75 a share, compared with $4.91 a share in the preceding year.

CONTINENTAL CAN CO. This company has just concluded a highly successful first half. Even after higher taxes, net income rose 32% to $9.1 million from $6.9 million the corresponding period last year. This was equivalent to $2.48 a share on the 3,558,431 shares outstanding against $1.91 a share on the 3,338,599 shares outstanding a year ago. Second quarter performance was especially satisfactory. Net income for this period was $6.1 million, or $1.67 a share against $4.4 million, or $1.24 a share the corresponding period of 1953. The jump between the first and second quarters of the year was striking, with an increase of from 81 cents a share to $1.67 a share, or more than double. Sales are showing a remarkable increase with a gain of 18% in the first half. The rapid increase in sales can be attributed to the dynamic diversification of products which was undertaken on a large scale in 1953. Apparently, the results of these developments are now being experienced in full. With new products in the (*Please turn to page* 600)

Quarterly Sales, Profit Margins and Earnings of Selected Companies

	Second Quarter 1954			First Quarter 1954			Second Quarter 1953		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Allegheny Ludlum Steel	$ 39.7	2.1%	$ .44	$ 45.6	2.3%	$ .58	$ 65.5	3.3%	$ 1.25
American Steel Foundries	20.6	3.0	.52	23.6	3.9	.77	40.8	4.8	1.65
American Tobacco	270.9	4.0	1.56	247.3	3.5	1.26	274.9	4.0	1.57
Caterpillar Tractor	103.0	6.8	1.70	95.2	5.9	1.35	117.7	4.8	1.42
Container Corp. of America	47.0	8.2	1.51	43.7	9.7	1.68	47.5	5.0	.97
Continental Can	157.6	3.9	1.67	128.0	2.4	.81	134.3	3.3	1.25
Douglas Aircraft	253.0	4.0	4.20	240.9	3.5	3.64	227.2	2.5	2.35
General Electric	732.0	6.3	.53	715.6	6.7	.56	782.6	5.3	.48
Hercules Powder	48.6	7.7	1.37	43.6	7.7	1.21	52.9	6.6	1.28
Minneapolis Honeywell Regulator	55.6	5.5	.98	57.2	6.9	1.27	54.8	4.6	.86
Mullins Mfg.	13.8	6.4	.65	12.4	3.0	.27	16.5	4.1	.50
National Lead	108.6	8.8	.79	100.6	8.0	.67	121.4	6.3	.62
Penn-Dixie Cement	9.4	16.8	2.19	4.3	9.6	.58	7.6	13.2	1.67
Republic Steel	218.1	6.2	2.23	214.5	5.1	1.79	99.2	4.8	2.46
Pennsylvania Salt Mfg.	15.7	6.5	.83	13.6	5.5	.61	15.6	6.1	.77
Rohm & Haas	34.4	9.4	3.39	31.7	9.0	2.99	32.1	5.3	1.86
St. Regis Paper	51.3	7.8	.70	50.1	7.9	.70	52.6	6.4	.61
Union Carbide & Carbon	214.2	9.5	.70	221.0	9.7	.74	267.4	10.0	.93
Wrigley (Wm.) Jr. Co.	21.5	13.6	1.49	19.6	14.6	1.46	20.6	11.9	1.25
Youngstown Sheet & Tube	117.6	5.2	1.82	105.9	2.8	.89	142.4	5.6	2.38



Inside Washington

POLITICAL SIDELIGHTS

By "VERITAS"

TECHNIC used by Majority Leader Knowland in maneuvering the Atomic Energy Act amendments in the closing days of the session will be examined against calmer surroundings during the adjournment period and the conclusions reached will determine the future of the senator who today is easily the most powerful man in congress. If it is decided that he was right in holding a get-tough course at the expense of ruffled feelings and a circus-like filibuster, he will pick up control and gain stature not matched since the days of the republican Senator Simeon Fess who had the upper house in the palm of his hand in the Coolidge and early-Hoover days. If his detractors sell the idea that he's a bull-in-the-China shop he'll be deprived of power.

INVOLVED is not only a matter of what individual pulls the string but also the structural point of how the final two years of the Eisenhower team will stack up. The California senator was a compromise selection for majority leadership; some who wanted it couldn't get the votes, some who could have the job wouldn't take it. While he has backed Ike's program rather well, he didn't hesitate to kick over the cart on the Red China question, deny the White House and State Department their historic priority in this field.

REPUBLICAN numerical majority in the senate couldn't be less, and exist. But it might be lowered in the November election—a net gain of two by the democrats would do it, thereby forcing a coalition for GOP management, with a completely defensive role played. There then would be no question whether Knowland hurts his party by unwillingness to placate, even compromise. But the prospect now seems that the GOP may have a thin working edge in the senate and only two years remaining to keep the White House safely under republican rule. That outlook calls for straight talking and right decisions.

ADJUSTMENT of a situation which the party's political mechanics regard to be serious may be another role entrusted to Vice President Nixon. The President has relied on him to keep his senators from boiling over just as he relies on Rep. Charles Halleck to keep the house on even keel. The young second man on the administration team has done well so far, sometimes under difficulty. Direct intervention in Knowland's area of movement is something else. The two are White House aspirants, if Ike doesn't run.

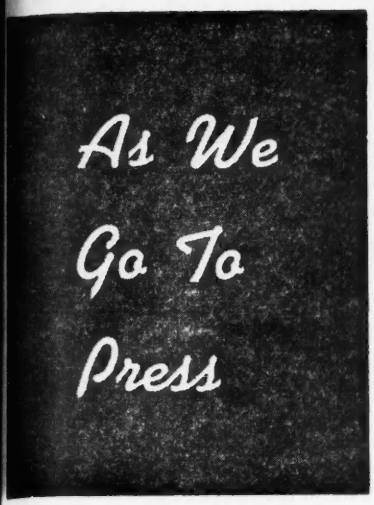
WASHINGTON SEES:

The composite opinion of Washington observers, supported by results from nationwide polls as the 83rd Congress moves toward its statutory end, is that President Eisenhower can expect little better than a party-divided legislative branch for the final one-half of his term—the house controlled by the democrats and the senate by republicans.

That's about where Herbert Hoover was midway of his four years in the White House. That Hoover experienced the hardest two years the Presidency has known in this century cannot be taken to insure that Ike will similarly suffer. Conditions are not the same. Hoover was at the wane end of a long period of republican rule, nationally; the democrats were in ascendency almost everywhere else and the degree of control they assnmed on Capitol Hill—both houses—was enough to run up the storm warnings against the tidal flow. Eisenhower has what is considered an excellent chance to have one house of congress (at least) to side with him, checkmate the other. And the republicans have only recently returned to Washington after their longest hiatus from power.

Assuming the worst (from the GOP viewpoint) happens and Ike finds both houses of congress lost by his party, or operating on a razor-edge margin, there still will not be a violent clash of government ideologies. The democrats say President Eisenhower has adopted their party's program and they have no qualms about voting it into law. In fact they have been doing that.

As November nears, it is clear that while neither is in as favorable a position as was held one year ago, the republican party stands to lose much more than does its President.



An order which could have saved business men millions of dollars if entered earlier in the growth of NLRB has been signed by the labor-management regulatory body. It exempts smaller companies from the provisions of the law. Authority to issue such a regulation springs from the language of the Act; it is exercise of a discretionary right businessmen contended existed from the start. But the labor-minded boards preceding the present one preferred to ignore it. Unions will make an issue of it. The only weakness is in the fact that it is a Board interpretation, needs statutory declaration to insure its permanence. But congress will not act upon separate provisions. Already it has shown it cannot agree on a form of overhaul.

Importance and expanse of the ruling is best reflected in the howl set up by organized labor. The unions call it a drastic cut over labor-management relations which, they say, will deprive millions of workers of federal protection of their right to organize and bargain collectively, and leave them to the mercies of state laws less jug-handled for labor. The order accomplishes exactly what industry has been asking the present congress to do: give states a greater measure of control over labor disputes within their own borders. And the smaller businesses if not wholly intrastate are very nearly so.

Tied up in the new system is a stretch-out of jurisdiction of state statutes carrying right-to-work clauses. This means nobody in an employment under the state's surveillance can be deprived of his job for failure to join a union or do its bidding. The effect of this is virtually to put an end to several of the organizing drives being conducted by AFL and CIO in the small industries of the southern states. If a company doesn't gross at least $50,000 beyond its state line, or bring in at least $100,000 worth of goods or supplies, the federal law no longer applies.

Earl Warren has turned in a creditable performance as Chief Justice of the United States by every juridical standard. So much so, in fact, that detractors have been thrown back to the line of "using the highest law office of the land as a stepping stone," a contention which appears to make aspiration to the White House a thing of shame. Chief Justice Warren was an able politican before he went to the bench, getting as high as second spot on the republican national ticket and never, even on that occasion, being voted out of elective office. It can be presumed that he follows political precedents as he does those of the law-books; that he has seen several men try for the Presidency after serving on the court, none make it. Only once was a man privileged to serve in both offices--William Howard Taft, who made it in reverse, first serving in the White House.

When President Eisenhower appointed Warren many eye-brows were raised. He had no judicial experience; in fact he had little experience in his profession except as an adjunct to public office. It was feared too that known liberal tendencies might count heavily in his decisions. Some say that forecast was born out in the decision striking down racial segregation in public schools. While such matters are kept secret, it is accepted that Warren wielded a very large degree of control there. That makes more noteworthy, the fact that every judge signed; it's a tribute to the leadership he brought to a court whose personal grudge fights have come into the open, required Presidential intervention to quell.

Candidates for re-election to congress, especially republicans, will be asked pointed questions by small business associations. They don't think the record of this congress bears out high expectations they held in January 1952. In fact the charge will be made that government competition more than ever tends to destroy the initiative and inventive of the small business operator. National Small Business Men's Association, one of the larger units, is friendly to Ike, but says he hasn't curbed practices

which are driving many out of business. They present the reasonable-sounding suggestion that their members should participate in the tax-spending dollar too; not only in the tax-paying dollar.

With more aspiration than expectattion SBMA asks that all government corporations be liquidated. Else, they say, government competition with private industry cannot be halted -- and there are 100 categories of such competitions thriving today, they say. The Association asks, as a vehicle for ushering in the answer: What is the federal government's competitive potential? Answer: it is an entity that employs 2.371 million civilians, has an annual budget of $72 billions, a debt of $274 billions (equal to almost the total of all annual production), it stores inventories comparable to those of all private enterprise combined.

It is the largest insurer, the largest lender, the largest tenant, the largest holder of grazing land, the largest owner of grain, the largest warehouse operator, the largest shipowner, the largest truck-fleet operator, and has reported capital assets of $146 billion as of last count, Dec. 31, 1951. That, say the businessmen with commendable restraint, constitutes a system "which has developed definite tendencies toward socialistic concepts."

The Post Exchanges of the military arms are principal targets. They sell cigarettes, lawn mowers, soap, furniture, food and wearing apparel. The neighborhood store operator who finds the residential area being taken over by military personnel is advised by his Association to look elsewhere for a business site. So, too, the optometrist, the typewriter repair man, and the small contractors who handled jobs for the federal government before World War 2 and now finds the government emergency servies still doing "business as usual."

The Budget Bureau's headaches would be milder and fewer if more department heads would follow the lead of Labor Secretary James P. Mitchell. Instead of warning that essential services must be halted, Mitchell announced his department will have enough funds to do its job despite a $12 million dollar appropriation cut imposed by congress. And there won't be any serious job dislocation: "Normal turnover will eliminate enough jobs to effect necessary economies." There's perhaps as much political warning as economic promise in the quoted sentence: Secretary Mitchell has served notice on patronage-hungry congressmen that, having cut his wherewithal, they cannot expect him to put their constitutents on the payroll.

The taxpayers will save money and nothing will be hidden from view as a result of action by the house armed services committee. The congressmen ruled the cards should go on the table, with respect to dwelling construction on military posts. Suggestion had been made to provide housing for families through "indirect" appropriations -- the use of unexpended, unobligated funds. It wouldn't appear as spending of new money and it would result in an outlay of $350 million, provide 25,000 living units. But the idea was rejected, the committee voted to spend only $170 millions, build 13,000 units, tell the taxpayer exactly what's being done. Now that the cat's out of the bag, there is nothing left for the senate committee to do but concur.

The program now is to continue senate banking committee investigation of irregularities under FHA programs for several months, carry them beyond Election Day. That means open season on accusations, recriminations, from the campaign stands. Alternative was to rush a subject of ramifications into a half-baked report that would neither mirror what has happened or afford guides for corrective laws. There is enough political party blame to go around, but it's mostly negligence and business ineptness. Few politicians appear to have made personal gain through the windfalls of mortgage money.

The technic of using the house as a trial court and the senate as an appellate branch on pet issues (a development which came to full bloom in the current session of congress) has paid off in the tax bill. Lobbyists, departmental and private, saw it work in the appropriation bill routine and congressmen and others -- the White House, too, to some extent -- employed it while the tax revision bill was in channels.

Factors in Restitution of Confiscated German Properties

By V. L. HOROTH



Recent political developments have done much to speed up the answer to the old question of what to do with the German property expropriated during the Second World War—a problem that has been discussed off and on for the last six years. Now that France, weakened by the struggle in Indo-China and torn by internal strife, seems to be in eclipse, Germany has emerged as a logical partner of those countries that bear the burden of Free World defense against the communist aggressors. With that fact recognized, the sovereignty of Western Germany, promised more than two years ago, may become a fact before long. If a bill recently approved by the Senate Judiciary Committee becomes law, Western Germany may start its housekeeping as a sovereign power with a handsome windfall of some $500 million as payment for wartime sequestrated German assets.

"Any just solution of the return of German property", Federal Chancellor Adenauer declared a few months ago, "will strengthen the confidence of German people in the principles of the Free World, and make fast the friendship between the American and German people, and will relieve the German Government of great worry."

Return of Japanese Property, Too?

The bill that proposes the return of German property was introduced by Senator Everett M. Dirksen, Republican from Illinois, and others. This is not all that the bill would do: it proposes to overhaul the entire Alien Property Law with the aim of restituting all wartime expropriated, or to use the legal language, "vested" property during the next three years. This means that Japanese-owned properties would also be returned, but not the property of the nationals of the Iron Curtain countries. Following the hearings, certain amendments have been written into the bill which give the President the right to direct what properties should be sold by the original owners to U. S. nationals in the national interest. The bill also provides that no alien property may be returned until all debt claims have been satisfied.

The objective of the Dirksen Bill is "to reinstate the principle of the inviolability of the rights of private property" that was infringed during the war by "an unsound deviation from international law and the historic policy of the United States which defends private property rights." By endorsing property confiscation in wartime, Senator Dirksen claims, we were de facto upholding communistic principle. Furthermore, as the largest creditor nation, constantly urging our nationals to invest abroad, we can hardly afford to break the law of the sanctity of private property.

Back in 1917, the then Custodian of Enemy Property, A. Mitchell Palmer, solemnly declared that at that time there was no thought of confiscation of enemy-owned property, but only of its trusteeship. Later, in 1935, Secretary of State Cordell Hull declared that "the rights of German citizens to such expropriated assets repayable to owners, were in no way infringed."

The enemy properties seized during the First World War were in fact duly returned in 1928 to those ex-enemy owners who were willing to accept a charge of 20 per cent of the value of the properties to defray administrative expenses. The Italian properties vested during the last war were returned as early as 1947, also less 20 per cent for administrative charges.

Another argument for the introduction of the Dirksen Bill was the claim that our policy of confiscating private German property was initiated by fellow-travellers and people of dubious connections, such as Harry Dexter White of the Treasury Department and his assistants V. Frank Coe and Harold Glassner. The confiscated property was to be used to pay the claims of World War II prisoners and interned civilians.

The third and probably the most powerful argument for the introduction of the Bill was that our policy of retaining German assets is completely inconsistent with our spending billions of dollars to bolster both Germany and Japan as bulwarks against international communism.

What Is Involved in the Return

All kinds of assets are involved in the return of German property: real estate, personal property,

Type of Property Vested in the U. S.
(in millions of dollars)

	Valued at the time of vesting (Mar. 1942)	Valued as of June 30, 1952
Cash		$253.0
Interest in business enterprises	$110.0	107.6
Royalties on patents, copyrights, and trade-mark	3.8	
Real property	5.9	1.7
Personal property	96.2	21.6
Interest in estates and trusts	77.7	33.2
Received from Netherlands Govt.	.9	.9
Total	$294.5	$418.0
CHANGES IN NET EQUITY VESTED:		
Net appreciation of interest in business enterprises		$103.0
Income on interests in business enterprises		16.2
Income on other veted property		23.9
Total		$143.1
Less: Property returned		$ 14.5
Expenses, conservatory and transfers		5.1
		$123.5

Source: Annual Report (1952), Office of Alien Property, Department of Justice.

interests in estates and trusts, interests in business enterprises, royalties—including those due to Hitler's estate—several hundred patents and trademarks, and nearly 200,000 rights of authorship in books, music, and other creative works. As will be seen from the accompanying table, the largest item was cash from property liquidated and from royalty and patent earnings and other income. According to the latest annual report of the Office of Alien Property, the value of the present vested German property as of March 1942 was $294 million. By the middle of June 1952 these properties appreciated to $418 million. Since then there has been further appreciations; including accrued royalties and compensation for property already liquidated, the Germans stand to receive some $500 million according to American calculations.

According to *German* calculations, German property vested in the United States amounts to about $500 million *excluding* the value of the foreign securities Germany was obliged to surrender after World War II, valued at about 2 billion D-marks; the value of surrendered American securities was supposed to have been about 250 million D-marks or $50 million.

The Case of General Ainiline and Film

American and German estimates are bound to differ somewhat, one of the reasons being the disagreements as to what constitutes German property. The case of General Aniline and Film Corporation, the largest single German asset in this country, valued at about $100 million, may serve as an illustration. General Aniline operates about half a dozen large plants and among its best-known products are Ansco films and heliogen and anthragen pigments. The company has been thoroughly Americanized and expanded through the acquisition of other concerns. According to the latest report of the Office of Alien Property, it placed in production in one single year (fiscal year ending June 30, 1952) some 40 new dyestuffs, 9 new auxiliaries, and 17 new intermediates. General Aniline also makes detergents, and its Ansco Division branched into manufacturing special high-speed medical X-ray film.

Some 90 per cent of the General Aniline stock is held by a holding company called "Interhandel" which is registered in Switzerland. The Interhandel Company was considered as "enemy tainted", a fact that was supposed to have been confirmed after the war in searching through the records of the then infamous I. G. Farben-Industrie in Frankfort. The Interhandel was formed long before the Second World War to acquire certain foreign properties of I. G. Farben, but according to the Swiss this was done by raising Swiss capital.

If German properties are released, the General Aniline and Film Company will then be handed to its Swiss owners. What makes the Swiss fighting mad is that they may have to surrender, like other enemy-property holders, some 20 per cent of the value of the corporations' assets as a custody charge. There has been a boom in the Interhandel shares on the Zurich exchange. However, it is not at all certain that the Swiss or whoever owns General Aniline will be allowed to retain ownership of a company which has become so important from the standpoint of our national interest. General Aniline might be one of the corporations that the President would order to be purchased by American nationals.

Objections to the Return of German Assets

Objections to the return of German assets have been raised both abroad and at home. If we return German assets, other (*Please turn to page* 595)

Selected Vested German Assets

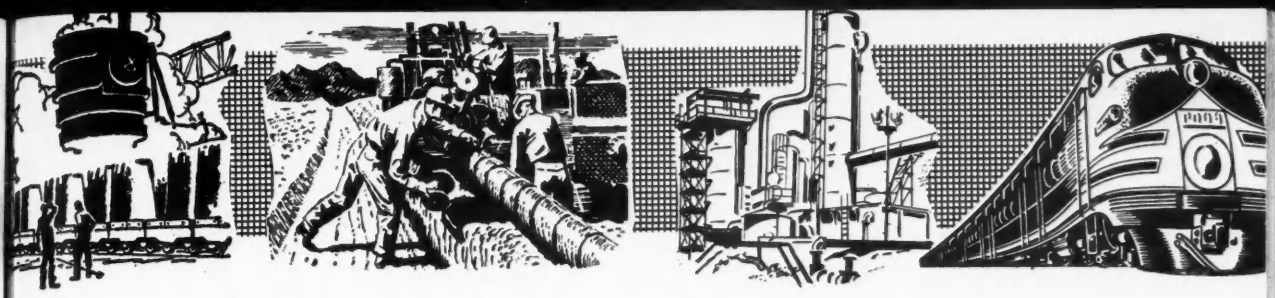
(1) COMMERCIAL & INDUSTRIAL ENTERPRISES:
- *General Aniline and Film Corporation* — dyestuffs, detergents, heliogen and anthragen pigments, films, photographic paper, etc.
- *Karl Liebknecht* Co. (Reading, Pa.) — hosiery-manufacturing machinery
- *General Dyestuffs Corporation* — wholesale dyestuffs distributor for General Aniline
- *Hugo Stimes Corporation* — an investment holding company

(2) MUSIC OR OPERATIC COMPOSITIONS EARNING ROYALTIES:
- You Can't be True
- Lili Marlene
- Rosenkavalier (Strauss)
- Fledermaus (Strauss)
- Salome (Strauss)
- I Kiss Your Hand, Madame

(3) MOTION PICTURE FILMS EARNING ROYALTIES:
- The Blue Angel
- Die Fledermaus
- Cabinet of Dr. Cagligari
- Baron Munchhausen
- Girl of My Dreams
- Triumph of the Will

(4) ENTERPRISES SOLD TO AMERICAN NATIONALS OR LIQUIDATED:
- *Schering Corporation* (1952), Bloomfield, N. J.—hormone products
- *Thorer & Hollender, Inc.* (1951), New York — wholesalers of furs
- *Buffalo Electro-Chemical Co., Inc.*, Towanda, N. Y. — manufacturers of hydrogen peroxide by an electric process
- *American Potash Chemical Corporation* — potash
- *Pioneer Import Corporation*
- *Rohm & Haas, Inc.* — plexiglass
- *Carl Zeiss, Inc.* — optical instruments
- *Boehringer Corp.* — manufacturers of pharmaceuticals
- *American Bosch Corp.*, Springfield, Mass. — fuel injection, elec. equipment

(5) BOOKS EARNING ROYALTIES:
- Decline of the West (Spengler)
- Mein Kampf (Hitler's Estate)



1954 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Equipments: Electrical — Electronics — TV

Part 3

During the past half year, investors have been confronted with the seeming paradox of rising stock market values and, to say the least, extreme variations in corporate earnings. Upon closer examination, the paradox does not seem so much of a paradox, after all, as the market advance, in the main, has been confined to stocks of individual companies with the most impressive showing in earnings and those which give the greatest prospect of continuing this performance.

Under current changing conditions in industry, the market has become more selective than ever as those companies which show the greatest effect of rising competition and mixed general economic conditions commence to reflect this trend in falling earnings, in contrast to companies which have been able to make a favorable showing notwithstanding. It is, therefore, not surprising that in a situation which reflects the ebbing of the abnormal prosperity of the years 1950-53, investors should adopt a much more discriminating attitude towards securities.

It goes without saying that investors must pay increasing attention to changes in the affairs of their companies, especially where they may signify that dividend maintenance is less secure than formerly. By the same token, profitable opportunities for income and appreciation may await investors who are closely in touch with the affairs of companies in a favorable position. Obviously, in a mixed situation such as the present, investors who obtain the maximum information available are in the best position to protect and advance their interests.

In order to assist our subscribers to take the fullest advantage of our sources of information and our interpretation of these facts, we herewith inaugurate our traditional Mid-year Dividend Forecast. This will appear in six successive issues and will cover in detail the major industries listed in the accompanying "box." Current and prospective trends in each industry are described in detail, together with an analysis of the basic factors influencing these trends. In addition, we present a tabulation containing the most important data required by the investor on each of the leading companies in each industry in order that he may conveniently acquaint himself with their background. These compilations are also useful to investors desiring to make comparisons between the various companies of the respective industries.

Each company is briefly commented on, giving the highlights of their position and outlook. Following these comments is an investment rating of each security. The key to these ratings is as follows: A, High-Grade; B, Good; C, Fair and D, Poor. The ratings are based entirely on investment values according to the fundamental outlook for each company and as reflected by its record over a period of years in varying business conditions.

Current earnings trends are indicated by numerals attached to the lettered investment rating. Thus, B^1 indicates stock of good quality with rising earnings trend; C^2 indicates stock of fair quality with lower earnings trend. In special cases, we have marked certain stocks with an (*) indicating a preference.

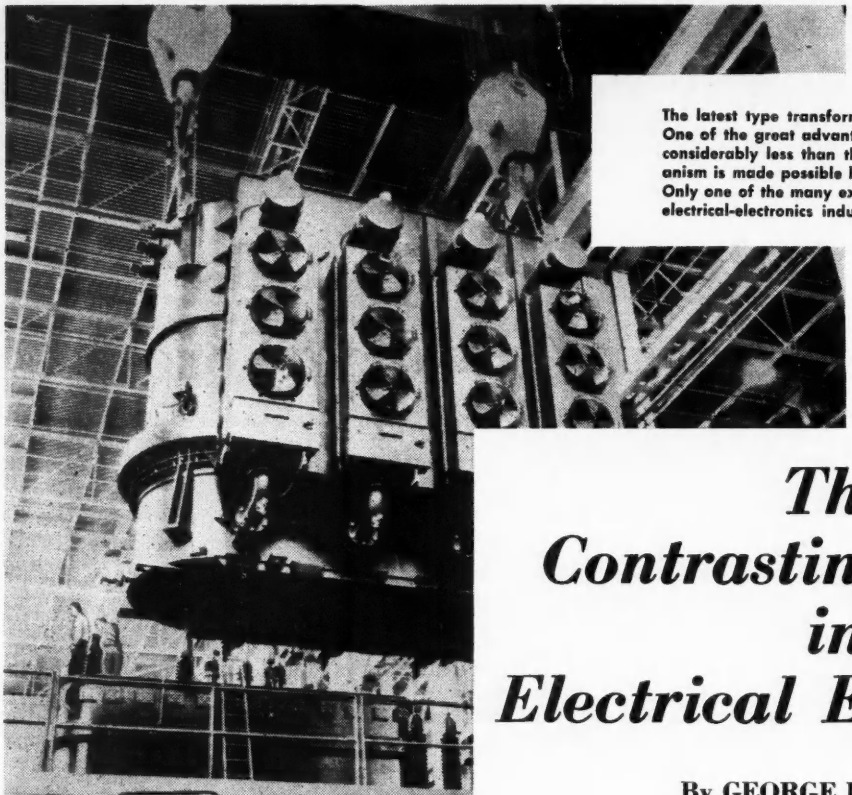
We have made every effort to make this feature as practical as possible and trust that our subscribers will derive the greatest benefit from the information we have presented. To ensure this end we suggest that readers retain the table for future reference.

Both comments and ratings are necessarily based on current conditions affecting the individual companies and as they are likely to develop in coming months. New and, possibly unexpected, developments on the specific companies will be covered in future issues and it is advisable that subscribers keep closely in touch in order to acquaint themselves with any revisions that might be required.

Industries Covered in Mid-Year Re-Appraisal

— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Equipments —Rail, Elect., Farm, Office Equipment — Machinery — Specialties — Aircraft — Airlines — Bus and Shipping — Oils — Steel — Chemical — Auto & Accessories — Rubber & Tires.



The latest type transformer developed after years of research. One of the great advantages of the new type is that it weighs considerably less than the old units. This highly evolved mechanism is made possible by advanced knowledge of new metals. Only one of the many examples of the amazing progress of the electrical-electronics industry.

The Contrasting Trends in Electrical Equipments

By GEORGE L. MERTON

It takes something like a dispatch in your morning paper describing plans for forming two Army divisions to engage in special maneuvers for atomic warfare to dramatize the progress of electronics in this atomic age. For, of course, without electronic devices the entire atomic program would be impossible. As one ponders the strides in industrial development since Thomas A. Edison discovered the electric lamp, a better appreciation is obtained of what has been and can be accomplished through electrical equipment.

A Study of Electrical Equipments—Electronics—TV

In the discussion that follows it will be possible only to refer to some of the highlights of this interesting industry and its widely differing types of manufacturers. Some phases of industrial activities will be covered here as an introduction to detailed comments on several typical companies. These observations will be supported by the accompanying tabulation of statistical information and brief memos on individual companies.

In any realistic appraisal of the companies making electrical appliances it is important to place greatest emphasis on the rapid growth of consumption of electricity. This is possible because the cost of power has remained so low. As a matter of fact, in terms of what the dollar purchases today, electricity is about as cheap a commodity as is to be found. Power rates have increased insignificantly in the broad postwar inflation. This fact, along with the increasing scarcity of labor, accounts for the rapid expansion of production of electrical equipment.

The electrical manufacturing industry has grown in the last decade twice as rapidly as the average of all industries. There is every reason to believe that this rate of improvement will persist for the coming decade. The industry accounts for slightly more than 4 per cent of Gross National Product and, on the basis of informal forecasts, likely will contribute 6 per cent of the total in another eight years. Except for the chemical industry, no other segment of the economy is forging ahead so vigorously by all standards of measurement.

Broadening of Modern Techniques

A strong urge for the better things of life, more time for recreation and entertainment, goes far toward explaining the astonishing advance in electronics. Electrical tools and equipment are required to compensate for increasing labor demands that find reflection in shorter work weeks and longer vacations. Modern methods for supplanting manual operations have become essential. All these require more and more electric power—along with controls, switches, instrument panels, measuring devices and heavy apparatus. Increasing power consumption is necessitating installation of additional equipment to supplement overloaded switch boxes and power lines. Potentialities in this direction are enormous, for even many residences are faced with the problem of inadequate facilities to handle an array of appliances including room air-conditioners, freezers and the like.

Since the labor force of the country is not keeping pace with the general rise in population and normal economic demands, it seems apparent that indus-

trial requirements for power as well as for electrical machines are likely to expand considerably in the years ahead. The most rapid population gains are in the age categories under 18 years of age and over 65 years. In fact, the population gains in the 20 to 25 age bracket are subnormal. The significance of this condition is important to manufacturers of equipment required to ease the burden placed on many manufacturing industries.

Electronics and National Defense

Great progress has been made in mechanization of the farm—as will be noted in the discussion of agricultural equipment—but still much more must be accomplished in utilization of electric appliances in the barn, especially in dairying, to combat rising labor costs and scarcity of hired hands. Efficiency experts are busily engaged in endeavoring to discover new ways in which machines can be utilized in various industries. Automation is a word which has gained widespread use in the last year or two as this vigorous drive for mechanization gains momentum.

Although electronics has revolutionized manufacturing operations in many industries, it has exerted greatest influence in military affairs. And from the standpoint of industrial planning the importance of military requirements probably is the most significant factor. Electrical appliances and equipment constitute vital elements of the Atomic Energy Commission's plants and radar installations offer what many experts regard as the only hope of an effective defense against atomic weapons. It seems apparent, therefore, that national defense projects must rank high in calculations of electrical equipment makers.

In this connection, it is well to take into account the radio-television group. Leading manufacturers of such products would be called upon to produce radio communication equipment, radar screen defenses and other items that might be needed by the Department of Defense. Meantime, representatives of this industry are busily engaged at the moment in pre-

Position of Leading Electrical Equipment Companies

	Full Fiscal Years						1st Quarter					
	Net Sales (Millions)		Net Profit Margin %		Net Per Share		Net Per Share		Dividend Per Share Indicated		Price Range	Recent Price	Div. Yield
	1952	1953	1952	1953	1952	1953	1953	1954	1953	1954	1953-54		
BLACK & DECKER W.C. (mil.) '52—$13.6 W.C. (mil.) '53—$13.5	$ 31.3	$ 35.6	7.3%	7.4%	$ 5.74	$ 6.49	$ 3.28[5]	$ 3.27[5]	$ 2.00[4]	$ 2.00[4]	47¾-31⅜	$47	4.3%
CARRIER CORP. W.C. (mil.) '52—$30.9 W.C. (mil.) '53—$31.7	107.7	164.4	4.2	3.7	4.89	4.19	4.46[6]	4.94[6]	1.70	2.00	62¼-34½	58	3.5
CUTLER HAMMER W.C. (mil.) '52—$11.1 W.C. (mil.) '53—$12.4	62.1	64.5	6.1	6.0	5.81	5.69	1.46	1.98	2.50	2.50	58½-31¾	57	4.4
GENERAL ELECTRIC W.C. (mil.) '52—$398.7 W.C. (mil.) '53—$370.4	2,623.8	3.128.1	5.7	5.3	1.75[2]	1.92[2]	.87[2 10]	1.08[2 10]	1.33[2]	1.33[2]	48½-22⅛	45	3.0
MASTER ELECTRIC W.C. (mil.) '52—$5.1 W.C. (mil.) '53—$7.2	16.8	19.2	7.9	7.0	2.20[1]	2.24[1]	.59[1]	.55[1]	1.45[1]	1.60[1]	24⅛-15¾	24	6.7
MAYTAG W.C. (mil.) '52—$18.1 W.C. (mil.) '53—$20.0	86.8	89.0	7.7	7.3	3.66	3.53	.87	.69	2.00	1.60	21 -16	19	8.4
McGRAW ELECTRIC W.C. (mil.) '52—$29.2 W.C. (mil.) '53—$30.6	104.8	121.2	6.7	5.8	7.03	6.90	1.77	2.56	3.50	3.50	97 -57¼	96	3.6
SERVEL W.C. (mil.) '52—$20.5 W.C. (mil.) '53—$18.1	99.5	147.6	1.7	def.	.85	def. 1.24	.10[7]	.05[7]	.....	.....	14⅜- 7	8	.....
SQUARE "D" W.C. (mil.) '52—$18.1 W.C. (mil.) '53—$18.8	55.5	58.9	8.1	7.0	3.26	3.02	.72	.94	2.05	2.05	38¾-21¾	37	5.5
SUNBEAM W.C. (mil.) '52—$19.4 W.C. (mil.) '53—$20.4	66.3	79.9	9.1	8.4	3.06[1]	3.37[1]	.89[1]	.64[1]	1.50[1]	1.65[1]	39¾-24½	39	4.2
TUNG-SOL ELECTRIC W.C. (mil.) '52—$9.7 W.C. (mil.) '53—$9.3	35.4	40.0	5.6	4.5	3.75	3.07	.97[8]	.98[8]	1.25	1.25	24⅞-15⅞	22	5.7
WESTHSE. ELECTRIC W.C. (mil.) '52—$553.2 W.C. (mil.) '53—$629.7	1,454.2	1,582.0	4.7	4.7	4.23	4.53	1.04	1.61	2.00	2.00	75¼-39½	70	2.8
WESTON ELEC. INST. W.C. (mil.) '52—$4.5 W.C. (mil.) '53—$8.1	27.8	32.4	3.3	3.2	2.90[3]	2.40[3]	.80[8]	.82[8]	1.00	1.00	24¾-16½	23	4.4
YORK CORP. W.C. (mil.) '52—$22.6 W.C. (mil.) '53—$27.8	59.1	82.7	4.3	3.3	2.26	2.46	2.69[9]	2.31[9]	1.00	1.25	27¼-16¾	25	5.0

W.C.—Working Capital.
[1]—Adjusted for 10% stock dividend.
[2]—Adjusted for 3-for-1 split.
[3]—Adjusted for 2-for-1 split.
[4]—Plus stock.
[5]—6 months ended March 31.
[6]—12 months ended April 30.
[7]—6 months ended April 30.
[8]—13 weeks ended March 31.
[9]—12 months ended June 30.
[10]—6 months ended June 30.

paring for a major adjustment in gradually shifting emphasis from black-and-white to color TV. All indications point to full scale commercial operation of color telecasts in another two or three years despite the prospect of higher costs all around.

Eventual adoption of color on a comprehensive scale will mean a significant rise in the industry's dollar volume. The comparatively few color sets placed on the market this year command prices of about $800 to $1200, against an average of about $200 at the retail level in monochrome sets. All kinds of equipment used in studios will cost more and advertising rates are destined to soar. That means that over the years average set prices may range around $400 to $600 and revenues of broadcasting companies may rise sharply.

In the interim as the change is being made keen competition sems likely to hold down margins of major manufacturers. Production of TV sets seems certain to be sharply curtailed this year even though sales may compare favorably with the 1953 total. A carryover of almost 2 million sets into 1954 necessitated a deep cut in output early this year. Inventories have been reduced and the outlook for the new season about to open is encouraging. Consumer resistance has been overcome now that viewers have been assured that present sets will not be outmoded by the coming transition to color telecasts.

Heavy Electrical Equipment

Although retail demand for appliances is an important determining factor so far as operations of most of the smaller manufacturers are concerned, the two big apparatus makers are more interested in filling requirement of the power and light industry. Heavy turbines and the apparatus utilized in construction of generating facilities require months to produce and install. Revenues run into hundreds of thousands of dollars for individual units. Thus prospects of expansion or modernization of power generating stations is a vital factor affecting sales of companies such as General Electric and Westinghouse Electric.

Recent developments in financial markets finding reflection in lower interest rates should encourage utility managements to proceed with necessary construction. Raising new capital poses no problem at this time. Thus financing improvements can be accomplished so readily that many companies may speed up plans for installing new facilities. Manufacturers have revealed that unfilled orders have declined to a level where new equipment can be delivered fairly promptly. Two or three years ago deliveries could not be promised within less than three or four years.

In view of the fact that public works contracts have held at an exceptionally high level this year and tax law revisions have encouraged installation of new facilities that may be depreciated under rapid amortization provisions, it would seem likely that utilities may be called to boost power output more quickly than economic conditions six months ago has seemed to dictate. Accordingly, the significance of easing in money rates several weeks ago probably has not been fully appreciated so far as business in the electrical equipment industry is concerned.

Appliance Outlook

As for the outlook for appliances, it is well to consider that residential construction is a fairly dependable guide for retail sales. Relaxation in credit restrictions on housing promises to spur interest in new homes and to sustain construction at an annual rate approximating a million units. Easy money also is likely to stimulate financing of household appliances. The fact that consumer purchasing power has turned upward is a favorable factor.

Because of many diversities and complexities in this rapidly developing industry it may be well to examine operations of several representative companies to get a better perspective of economic trends affecting investments. The two largest manufacturers of apparatus used in generation of power are General Electric and Westinghouse both of which also have embarked on history-making projects of atomic power plants. Both companies also are large producers of jet engines. Both are major sources of consumer products, although several smaller concerns figure more prominently as suppliers of household appliances.

In television and radio the leading companies are Radio Corporation of America, Philco, Motorola, Admiral, Zenith, Sylvania Electric and many others. Prominent among manufacturers of appliances and other household goods are Black & Decker, Master Electric, McGraw Electric, Sunbeam and numerous others who compete in this field even though major products include items other than electrical goods.

Individual Companies

Looking more closely at individual manufacturers, we may note that *General Electric* has gained widespread popular favor this year presumably in response to its progress in atomic power development as well as because its stock has had broad appeal among institutional investors. Sales are showing a moderate decline this year in consequence of cutbacks in military procurement. Nevertheless, all indications point to wider profit margins as a whole—since Government business netted modest returns—and to higher earnings this year than in 1953. Net profit for the first quarter ran some 42 per cent ahead of last year as a result of lower taxes. Excess profits assessments took the equivalent of 84 cents a share in 1953. Confidence in the outlook was evidenced by the management's payment of a 40-cent dividend on the split stock, indicating a $1.60 annual rate, or a payout of earnings of possibly 65 to 70 per cent.

With the benefit of enlarged productive capacity and an aggressive promotional campaign, *Westinghouse Electric* is experiencing better-than-average results this year. Sales show promise of comparing favorably with last year's volume unless deliveries on armament contracts should decline sharply in the final quarter. Tax relief promises to give a favorable boost to earnings. Net profit may range above $5 a share and encourage hope of a higher quarterly rate or a year-end extra.

A sizable volume of electronic defense business apparently enabled *Radio Corp.* to enlarge its sales volume in early months this year and to suggest the possibility that deliveries for the year may approximate the 1953 total. Substantial orders for new TV stations contributed to the company's superior showing. Despite keen competition and some increase in costs, earnings may come close to matching last year's $2.27 a share. Management's conservative dividend policy may mitigate against an early increase in the $1 rate. (*Please turn to page* 595)

Position of Leading Television Companies

	Full Years: Net Sales (Millions) 1952	Full Years: Net Sales (Millions) 1953	Full Years: Net Profit Margin % 1952	Full Years: Net Profit Margin % 1953	Full Years: Net Per Share 1952	Full Years: Net Per Share 1953	1st Quarter: Net Per Share 1953	1st Quarter: Net Per Share 1954	Dividend Per Share 1953	Dividend Per Share Indicated 1954	Price Range 1953-54	Recent Price	Div. Yield
ADMIRAL CORP. W.C. (mil.) '52—$29.4 W.C. (mil.) '53—$45.3	$191.2	$250.9	4.5%	3.3%	$ 3.69	$ 3.48	$ 1.30	$ .64	$ .88	$ 1.00	27¼-18¼	$24	4.2%
DuMont (A.B.) Lab. A W.C. (mil.) '53—$12.9 W.C. (mil.) '54—$14.1	76.1[4]	91.4[4]	1.9[4]	1.7[4]	.55[4]	.60[4]	.39[1]	.20[1]	.....	.....	17¾- 8½	12	.....
MAGNAVOX CO. W.C. (mil.) '52—$7.2 W.C. (mil.) '53—$7.1	36.8[5]	58.0[5]	3.7[5]	3.8[5]	1.80[5]	2.93[5]	2.70[2]	2.68[2]	1.50	1.50	22¼-15⅝	19	7.9
MOTOROLA W.C. (mil.) '52—$37.6 W.C. (mil.) '53—$37.8	168.7	217.9	4.2	3.3	3.62	3.66	1.64	.85	1.50	1.50	44⅝-29¼	44	3.4
PHILCO CORP. W.C. (mil.) '52—$44.3 W.C. (mil.) '53—$53.6	366.9	430.4	3.1	4.2[6]	3.15	4.86[6]	.94	.63	1.60	1.60	36⅞-26⅝	36	4.4
R.C.A. W.C. (mil.) '52—$196.4 W.C. (mil.) '53—$220.4	690.6	848.9	4.7	4.1	2.10	2.27	.61	.66	1.00	1.20	32¾-21⅝	32	3.7
SYLVANIA ELECTRIC W.C. (mil.) '52—$60.1 W.C. (mil.) '53—$87.1	235.0	293.3	3.0	3.2	2.76	3.10	1.70[3 7]	1.08[7]	1.82	2.00	40⅜-26⅝	40	5.0
ZENITH RADIO W.C. (mil.) '52—$23.3 W.C. (mil.) '53—$24.4	137.6	166.7	4.2	3.4	11.87	11.44	4.28	1.68	3.00	3.00	84 -62½	72	4.2

W.C.—Working Capital.

1—12 weeks ended March 31.

2—9 months ended March 31.

3—Adjusted.

4—Fiscal years ended Jan. 3, 1954 and Dec. 28, 1953.

5—Fiscal years ended June 30, 1952 and 1953.

6—Includes profit on sale of radio station of $1.43 a share.

7—6 months ended June 30.

ELECTRIC EQUIPMENTS

Black & Decker: Rapid development of "do-it-yourself" home remodeling and repairs spurs use of electric tools, of which company is leading maker. Wide coverage for $2 dividend. B[1]*

Carrier Corp.: Despite some narrowing of margins over near term, continued expansion in air-conditioning requirements should sustain growth. Dividend policy may remain conservative. B[1]

Cutler-Hammer: Increasing emphasis on machinery to replace manual labor means wider adoption of control devices. Relief from EPT holds out hope of higher earnings and dividends. B[1]

General Electric: Rising population, accompanied by housing developments, point to need for expansion in electric power requirements as well as in household appliances in years ahead. A[1]*

Master Electric: As a major producer of electric motors, company benefits from progress in manufacture of industrial and household appliances. Good margin for $1.60 dividend. B[1]

Maytag: Despite keen competition for market in household appliances, this company has fared well in controlling costs. Reasonable protection indicated for $1.60 dividend. C[1]

McGraw Electric: Growing emphasis on equipment for electric distribution systems as well as components for small appliances gives diversification. Continued uptrend in earnings seen. B[1]*

Servel: Keen competition in household appliances and public preference for electric instead of gas refrigerators account for problems indicated by adverse trend in earnings. C[2]

Square D: High level of activity in construction helps sustain demand for switches, switchboards, circuit-breakers, etc. Earnings expected to justify year-end dividend. B[1]*

Sunbeam: High national income likely to sustain demand for small household appliances, of which company is an aggressive manufacturer and merchandiser. Year-end extra likely. B[1]

Tung-Sol Electric: Competitive position in radio-TV tube field strengthened by development of new products. Lang-range growth potentialities deemed interesting. B[1]

Westinghouse Electric: As second leading maker of apparatus for electric power industry, promising outlook is assured. Potentials in atomic energy installations could be extensive. A[1]*

Weston Electric Instrument: Leading maker of electrical measuring instruments widely used in communication, electronic equipment manufacturing, radio, etc. Wide expansion indicated. B[1]

York Corp.: Growing popularity of room air-conditioners and strong trend toward industrial installations should provide broad market for products. Dividend policy conservative. C[1]

TELEVISION

Admiral Corp.: Company's radio and TV receiver business diversified by appliances and air conditioners. Competitive pressures may hold profits moderately below last year, but 25c quarterly rate protected. B[2]

DuMont (Allen B.) Lab. "A": Produces TV receivers and transmitting equipment. Operates telecasting network. While subject to merger rumors, immediate earnings outlook does not indicate dividend resumption. C[2]

Magnavox Co.: Specializes in quality radio and TV sets, and high-fidelity phonograph combinations. In spite of competition, profits relatively well-maintained, covering $1.50 annual dividend by fair margin. B[1]

Motorola, Inc.: Growth speculation in TV sets and two-way radio communication systems New line of color TV receivers, but competition intense. Moderately lower earnings would still point to $1.50 dividend maintenance. B[2]

Philco Corp.: A leading manufacturer of radio and TV sets, refrigerators and appliances. Recent reduction in inventories should aid industry sales in coming months. B[2]*

Radio Corp.: Diversification in important new electronic products places this company in forefront of new developments. Immediate return not high but stock suitable for long-range investment. A[1]*

Sylvania Electric Products: Vigorous promotion of TV and photographic flash bulbs contributing to growth in sales. Leading maker of radio and TV tubes. Ample protection for $2.00 dividend. B[2]

Zenith Radio: Products include radio and TV sets, tubes and hearing aids. Operates radio station. Holds important patents. Small number of shares and wide earnings fluctuation. Regular 50c quarterly rate well-protected. B[2]*

RATING: A — Best-grade. B — Good-grade. C — Fair. D — Poor. 1 — Sustained earnings trend. 2 — Lower earnings trend. *—Most attractive of group.



Continuing Adjustments in Farm Equipments

By JAMES K. LAWSON

The important factors in the farm equipment outlook are three: 1) the prospect for farm sales 2) the trend in defense orders and 3) new type equipment development, the latter being of longer-range significance. The first two mentioned factors, of course, directly involve the immediate outlook.

For the first three months of 1954, production of farm equipment dropped approximately 29% below the corresponding period of last year. Sales are variously estimated to have declined about 20%, with some makers down as little as 5% and others well above 25%.

Substantially, these changes occurred against a decline in national net farm income of from $14.6 billion in 1951 to $12.8 billion in 1953. There is no reason to anticipate a reversal in the trend for farm income this year. Under the conditions, it is likely that orders for new farm equipment will decline for the balance of the year, though at a more moderate rate.

This outlook is disappointing in view of hopes held out for betterment after the moderate upsurge in demand which took place in early Spring. As a result of this revitalized demand early in 1954, some manufacturers commenced to increase operations and call back layed-off workers. More recently, however, the increase in demand seemed to have spent itself and, consequently, layoffs have been reappearing in the industry. International Harvester, for example, has currently ordered some minor layoffs but, according to a company spokesman, there will be further layoffs this summer because sales have failed to match the increase in production schedules which were in force last Spring.

Ebb in Current Demand

Speaking generally, it is not surprising that the industry should be cutting back on its already moderate production schedules since current demand does not appear to warrant any but conservative operating policies. Manufacturers' shipments which were approximately $2.2 billion in 1951, which was the post-war peak, dropped steadily to $1.8 billion in 1953. On the basis of the present and immediate prospective rate of production which, in turn, is affected by the lower sales ratio, it now appears that shipments for 1954 will get down to as low as $1.6 billion, or 10% below last year and nearly 30% below 1951.

While the present sales outlook is not too prepossessing, it should be noted that the rate of decline has perceptibly eased. It is at a far slower rate than in the first two months of the year, and some manufacturers claim that they can see definite signs of leveling off. This is helpful, of course, but does not suggest that the basis has been laid for an immediate upturn. Next year's story, of course, may be different.

Fundamentally, farmers are squeezed between a falling market and higher costs for wages. Simultaneously, the cost of farm machinery has advanced which runs counter to the generally less favorable economic position of the farmer. Under these con-

tions, comparatively high prices for farm machin-y have had some effect on sales. The index for rm machinery has risen from 110.7 in the past w years, to the current approximate of 122.3, hich is a sizeable advance, considering the im-lications of a rise in wage costs of from 99.5 to 19 (1947-49 = 100). During this period farm in-ome has declined some 30%.

The inventory situation has improved in some espects, owing to cutbacks in production. Actually, he inventories in relation to sales were highest in he first half of 1953 and have not approached that oint since. Many manufacturers have brought their tocks down to normal relationship with sales and hipments. This is particularly true of the raw ma-erials situation. As a matter of fact, some manu-facturers have recently been somewhat on the short side of steel inventories, and they will now have to pay higher prices established after the wage in-crease in the steel industry.

It is true that any upturn in demand would quickly force many manufacturers to reexamine their inventory positions. The normal practice for many manufacturers has been to let their inventories run down in anticipation of the slack summer sea-son. A sharp pickup in demand for farm equipment, starting with September, would see a rush for steel and other materials. So far, it must be admitted, there is little evidence that this is likely to transpire. The situation is described, however, to indicate the narrow margin of inventories on which manufac-turers are now operating.

Problems in Export Field

The export situation has been growingly affected by competition from foreign manufacturers who ap-parently have been able to grant better credit terms than American manufacturers. Ironically, foreign competitors have been favored by assistance from our own government. The Export-Import bank is now taking the matter under advisement after ap-peals by the farm implement industry. While present impediments to exports (*Please turn to page* 596)

Position of Leading Farm Equipment Stocks

	Full Years: Net Sales (Millions) 1952	1953	Net Profit Margin % 1952	% 1953	Net Per Share 1952	1953	1st Quarter: Net Per Share 1953	1954	Dividend Per Share 1953	Indicated 1954	Price Range 1953-54	Recent Price	Div. Yield
ALLIS-CHALMERS W.C. (mil.) '52—$201.6 W.C. (mil.) '53—$207.9	$513.6	$514.5	4.7%	4.2%	$ 7.98	$ 6.58	$ 3.33[4]	$ 3.94[4]	$ 4.00	$ 4.00	60⅜-41⅛	$60	6.7%
CASE, J. I. W.C. (mil.) '52—$68.6 W.C. (mil.) '53—$88.3	153.5	111.5	4.6	.7	2.83	.06	def. .09[1]	def. 1.43[1]	2.00	.50[3]	25 -13⅞	15	3.3[3]
DEERE & CO. W.C. (mil.) '52—$295.4 W.C. (mil.) '53—$295.8	383.2	378.5	9.1	6.6	4.93	3.37	1.89[1]	1.20[1]	1.75	1.25	30⅝-23¼	30	4.2
CLEANER HARVESTER W.C. (mil.) '52—$5.7 W.C. (mil.) '53—$5.7	7.6	4.5	14.8	10.5	2.84	1.17	.49[2]	.34[2]	.50	.50	21⅛-10⅛	14	3.6
INTERNAT. HAR. W.C. (mil.) '52—$495.5 W.C. (mil.) '53—$348.3	1,204.0	1,256.1	4.6	4.1	3.76	3.46	1.72[1]	1.05[1]	2.00	2.00	33 -24½	32	6.2
MINNEAP. MOLINE W.C. (mil.) '52—$33.7 W.C. (mil.) '53—$40.2	92.6	105.7	4.8	2.0	4.31	1.71	.50[1]	def. 1.32[1]	1.60	....	19⅜- 8⅞	10	....
MYERS (F. E.) & BRO. W.C. (mil.) '52—$5.4 W.C. (mil.) '53—$5.7	12.2	12.6	8.5	7.7	5.17	4.83	1.94[1]	1.95[1]	2.80	2.40	51 -35¾	40	6.0
OLIVER CORP. W.C. (mil.) '52—$64.3 W.C. (mil.) '53—$63.5	134.4	136.6	4.5	2.1	2.71	1.18	.29[1]	.50[1]	1.20	.60	14¾- 8⅝	11	54.

W.C.—Working Capital. [1]—6 months ended April 30. [2]—6 months ended March 31. [3]—Paid so far in 1954—Dividend omitted in April 1954. [4]—6 months ended June 30.

Allis Chalmers: Extremely wide diversification offers strong support against decline in farm sales. New acquisition of Buda Co. and future atomic energy developments give this company a special position in the industry. B[1]*

Case, J. I.: Company severely affected by decline in farm sales with losses continuing over into earlier part of year. Condtiions still unsettled but some modest improvement looked for remainder of yera. D[2]

Deere & Co.: Company seeking to avoid total dependence on farm sales through extension into chemical industry. In view of earlier expectations, sales for balance of year likely to decline. Financial condition improved through last year's financing. B[2]

Gleaner Harvester: Company endeavoring to overcome setback of last several years through new small self-propelled combine and foreign markets. Some improvement expected this fiscal year over 1953's earnings. D[1]

International Harvester: Recent developments presage downturn in sales owing to drop in farm income. Subcontracting ending, tending to maintain profit margins. Sharp drop in first quarter earnings presages lower total for full year. B[2]

Minneapolis Moline: For the six months ended April 30, a sizeable loss was estimated. Owing to less favorable outlook for farm income, an increase in company sales is not expected, with depressing effect on earnings. C[2]

Myers (F. E. & Bros.): Indications are for modestly lower level of earnings this year though company normally benefits from tsable pump sales in farm regions. Highly efficient management and good finances are sustaining factors. B[2]

Oliver Corp.: Decline in sales of regular lines reported offset by sustained volume of defense contracts. New California acquisition should help. Total sales for year not expected to fall much below last year. Earnings should remain unchanged. C[1]

RATING: A — Best grade. B — Good grade. C — Fair. D — Poor. [1] — Sustained earnings trend. [2] — Lower earnings trend. * — Most attractive of group.



Variations in Office Equipment Earnings

By JOHN D. C. WELDON

The office equipment industry has emerged as one that has good growth characteristics, particularly for individual companies which have demonstrated their ability to develop new types of electronic or mechanized labor saving equipment.

For the near term, sales and earnings show definite signs of improvement, after a period of over a year during which most companies showed a dip or a levelling off in profits. The improvement began to develop in the second quarter as a result of the recovery in general business, which is making employers more willing to invest freely in office equipment. The gains are also appearing as a result of the manufacturers' liquidation of inventories of typewriters and other conventional types of equipment. Greater firmness is appearing in prices of typewriters and other accounting machinery. This should help profit margins, for prices of office equipment in recent years have not kept pace with the rise in labor costs.

The upturn may continue through the Fall and Winter months, and well into next year, with sales showing gradual improvement.

Developing New Products

New products, especially developed to meet the needs of the modern office, have been brought on the market in large numbers during the early months of this year by equipment producers. These products should begin to contribute to better earnings in the second half. Leaders of the industry, such as Burroughs Corporation, International Business Machines, National Cash Register, Remington Rand, and Addressograph-Multigraph have under development numerous new products which should become available in 1955 and 1956, to aid further gains in profits.

As in the chemical industry, possession of a sound and creative research organization has become essential to an office equipment company's growth and security. Research expenses have been greatly increased, and competition will serve to keep them high.

The basic factor behind the strong position of the office equipment industry is the steady rise in office labor costs. The office has become an area within which management can effect extremely important cost reductions if it takes the necessary steps to replace obsolete equipment. Wages of office workers have risen steadily in recent years, and no sign of a halt in this trend has appeared in most large cities. The low birth rate during the depression of the 1930s has contributed to this situation, since the number of young women coming on the office labor market will remain subnormal for several years more. The tendency of young people to marry and have families at an early age has also reduced the supply of good office labor.

Need for Office Workers

Demand for office workers remains at an all-time high level. The need for preparing various kinds of data to meet the requirements of modern industry has increased the number of office workers. Fifty years ago, there was one office worker for 20 production workers. Today, the ratio is one office worker for every three production workers.

As long as the supply of office workers remains relatively low, and the demand remains high, employers will continue to outbid each other for the services of competent office workers. The activities of office unions in organizing the white collar group, too, is contributing to the steady rise in office workers pay.

Despite the sharp rise in office workers' salaries the average office is still under-equipped with labor

aving equipment. As compared with the average factory, where investments per worker today run as high as $10,000, and in steel mills and petroleum refining plants, as high as $90,000 per worker, the investment in office equipment rarely amounts to more than a few hundred dollars per worker.

This situation is probably going to be changed within the next few years, when employers become thoroughly convinced of the labor saving job which well-tested new types of office equipment can do.

Prospects for the various office equipment companies vary sharply depending on the potentialities for labor saving in the equipment which each company makes. In the typewriter field, for example, opportunities for labor saving are not very good. Aside from the development of the electric typewriter relatively little has been done to reduce labor requirements. Hence typewriter sales tend to fluctuate with the business cycle, as was noted in 1953 and early this year since the market is largely restricted to replacement sales. When sales decline, discounts are offered to move inventories, and profit margins are reduced.

But in the field of accounting and tabulating machinery, the development of new types of equipment has enabled a well-established producer like IBM to move against the trend in general business. For companies which can develop useful electronic

Position of Leading Office Equipment Companies

	Full Fiscal Years						1st Quarter						
	Net Sales (Millions)		Net Profit Margin		Net Per Share		Net Per Share		Dividend Per Share		Price Range	Recent Price	Div. Yield
	1952	1953	1952 %	1953 %	1952	1953	1953	1954	1953	Indicated 1954	1953-54		
ADGRPH.-MULTGPH. W.C. (mil.) '52—$21.2 W.C. (mil.) '53—$22.9	$ 63.2	$ 62.7	7.1%	7.3%	$ 5.84	$ 5.74	$ 5.42[2]	$ 6.19[2]	$ 3.00[1]	$ 3.00[1]	81 -48	$80	3.7%
BURROUGHS CORP. W.C. (mil.) '52—$62.0 W.C. (mil.) '53—$59.6	150.8	162.0	5.2	4.4	1.58	1.44	.40	.36	.90	.90	21 -13½	20	4.5
FELT & TARRANT MFG. W.C. (mil.) '52—$5.4 W.C. (mil.) '53—$5.8	9.9	9.8	4.1	4.4	.76	.82	.26	.14	.80	.80	13 - 8⅛	10	8.0
INT. BUS. MACH. W.C. (mil.) '52—$66.8 W.C. (mil.) '53—$72.4	333.7	410.0	8.9	8.3	7.29[5]	8.33[5]	1.88[5]	2.47[5]	4.00[6]	4.00[6]	306-179¼	300	1.3[6]
NAT. CASH REG. W.C. (mil.) '52—$57.4 W.C. (mil.) '53—$59.8	226.5	260.9	4.4	4.2	4.68[3]	5.12[3]	2.57[3 10]	2.59[10]	3.00[4]	3.00[4]	84 -46¾	82	3.7[4]
PITNEY-BOWES W.C. (mil.) '52—$7.6 W.C. (mil.) '53—$7.9	30.6	32.8	5.2	3.1	1.34	1.48	.39	.56	1.00	1.00	30¼-19	28	3.6
REMINGTON RAND W.C. (mil.) '53—$88.8 W.C. (mil.) '54—$88.8	235.4[7]	225.5[7]	6.0[7]	5.4[7]	2.71[7]	2.32[7]	1.11[10]	1.35[10]	1.00	1.00	19⅝-13½	19	5.2
ROYAL TYPEWRITER W.C. (mil.) '52—$16.4 W.C. (mil.) '53—$16.3	58.2	69.0	5.3	4.0	2.62	2.32	1.64[8]	1.24[8]	1.75	1.25	22⅜-14½	16	7.8
SMITH-CORONA W.C. (mil.) '52—$13.7 W.C. (mil.) '53—$13.6	30.6	32.2	3.9	3.1	3.70	3.14	2.23[9]	.94[9]	1.50	.60	21⅞-13	17	3.5
UNDERWOOD CORP. W.C. (mil.) '52—$37.5 W.C. (mil.) '53—$34.7	65.8	78.3	5.6	1.1	5.00	1.13	1.20[10]	.57[10]	2.25	1.00	55¼-26	28	3.6

W.C.—Working Capital.
1—Plus 3% stock.
2—12 months ended April 30.
3—Adjusted for 10% stock dividend.
4—Plus 10% stock dividend.
5—Adjusted.
6—Plus stock.
7—Fiscal years ended March 31, 1953 and 1954.
8—9 months ended April 30.
9—9 months ended March 31.
10—6 months ended June 30.

Addressograph-Multigraph: Growth and stability in addressing equipment field has been demonstrated by 50% rise in sales since 1948, as well as in maintenance of earnings this year at 1953 level. B[1]*

Burroughs Corporation: Aggressive research program in electronic accounting and billing machines is beginning to pay off. Sales gained but profits dipped slightly in first quarter B[2]*

Felt & Tarrant Mfg.: This producer of Comptometer machines maintained its modest profits last year, despite slightly lower sales but decline in 1954. New British plant may improve company's position. C[2]

International Business Machines: Sales only slightly higher this year, but net profit has shown gain of over 30 per cent. Established electronics producer. Long term outlook excellent. A[1]*

National Cash Register: Earnings are holding up well thus far this year, but sales appear slightly lower. Strongly entrenched company with good long-term prospects. B[1]*

Pitney-Bowes: Good earnings gain and stable sales shown thus far in 1954. Company is pressing diversification to renew sales expansion. B[1]

Remington Rand: Diversification gives this company stability lacking in some office equipment issues. Earnings this year should equal $2.25 a share shown in 1953. B[1]

Royal Typewriter: Earnings thus far in fiscal year running at $1.75 rate, against $2.32 a share last year. But improvement in last quarter may enable it to make better showing. C[2]

Smith, L. C., & Corona: Earnings sharply lower in first three quarters of fiscal year (94 cents a share against $2.23). But should make a better showing from here on. C[2]

Underwood Corp.: Poor first quarter may be worst this year, but earnings will not recover quickly to 1952 level. Restoration of 75 cent diivdend not likely this year. C[2]

RATING: A — Best-grade. B — Good-grade. C — Fair. D — Poor. 1 — Sustained earnings trend. 2 — Lower earnings trend. * — Most attractive of group.

equipment the long-term prospects are particularly good, since investments in office accounting or bookkeeping equipment during the next decade or two are likely to run into very large sums.

Varying degrees of success have been enjoyed by other office equipment companies in the adding machine and tabulating field. *Underwood Corporation* long one of the leaders in typewriters and accounting machines has stepped up its investments in research and development, particularly in the electronics field. Its efforts illustrate what old line office equipment companies must do to stay abreast the march of technology.

In its last annual report, Underwood faced up to the problem candidly. The company said that its future growth depended largely on the "proper operation of a successful and progressive research and development program." Its laboratories are working on the development of mechanical equipment, electronic equipment, and a combination of mechanical and electronic, to obtain greater automaticity.

But for the next year or so, this stepped up research and development program will not result in any sudden improvement in the company's competitive position. In fact, higher research costs, and introduction of new products to meet competition resulting from technological change has actually cut profits, as was reflected in the decline in the company's profits during 1953, to $1.13 a share from $5 in 1952. During the first half of 1954 net was 57 cents a share, against $1.20 in the same period of 1953.

Underwood's new Electronic Computer Division, which is offering its Elecom, a large "magic brain" type of computer, is still not carrying its own weight, for production is still at a relatively low level. Another new enterprise designed to broaden the company's base, its Samas Punched Card Division which sells the products of an English manufacturer also has been going through a low earnings period, since it has been necessary to establish sales offices at high cost throughout the country. But both divisions are making progress, and in time, may make their contribution to the company's profits.

Underwood started 1954 with a new standard typewriter, a complete new line of adding machines and a new payroll accounting machine which offers advances in automaticity. These new products should help second half earnings. But as long as typewriters continue to account for about one-half of the total sales, Underwood's expansion in total volume will not be dramatic unless the typewriter business improves substantially. Management is working hard on improved diversification problem and should achieve results over the longer term.

Where Results are Good

On the brighter side have been the performances of IBM, Burroughs, Pitney-Bowes, National Cash Register, and Addressograph. Nearly all of these companies not only maintained their profits last year, when most other producers met a contraction in profit margins, but as a group they are in a position to move ahead rapidly with the improvement of general business conditions. If defense spending increases, the office equipment companies should share in the new contracts; but at present defense volume is down sharply from the 1951-1952 level. This has a braking effect on profits.

In only a relatively few cases has the ending of t excess profits tax contributed substantially to co pany earnings. IBM, with EPT payments equal $3.05 a share last year, is one of the chief bene ciaries. Among some others, Pitney-Bowes, with a EPT payment of 33 cents a share also is bei aided by the tax law change. These companies, to have moved ahead this year on the strength of the introduction of new products and increased sales.

The growth prospects for the most efficient pr ducers in the field of electronic tabulating and a counting machines can be gauged by the perfor ance of *IBM* since 1946. In that year its sales total $141 million, and net profit was $8.5 million. In 195 IBM's sales had climbed to $409 million, and n was $34.1 million, after taxes of $58.2 million. This i lustrates the steady progress of the company.

Remington Rand, whose electronic computers loo promising, moved up from sales of $107 million i 1946 to $235 million in 1953. Net profit was $6 million in 1946 and $14.1 million in 1953. A grea deal of Remington Rand's volume, at present, how ever, is in the slower growth fields of typewriters filing and indexing equipment, electric shavers, etc but rapid progress by its electronic computers ma change this picture.

Burroughs, which began to plow back earning into research in electronics right after World Wa II, has reached the pay-off stage on its develop ments. It has established an electronic instrument division for the manufacture of scientific instru ments and electronic components, and has mad progress with its Sensimatic accounting machin with a punched paper tape. Last year's dip in Bur rough's profit probably represented intensified re search, together with pre-production costs on ne products, as well as the cost squeeze which the en tire industry has felt during the last two years Burroughs appears to be entitled to ranking as th company with best growth prospects, next to IBM in the electronic accounting field.

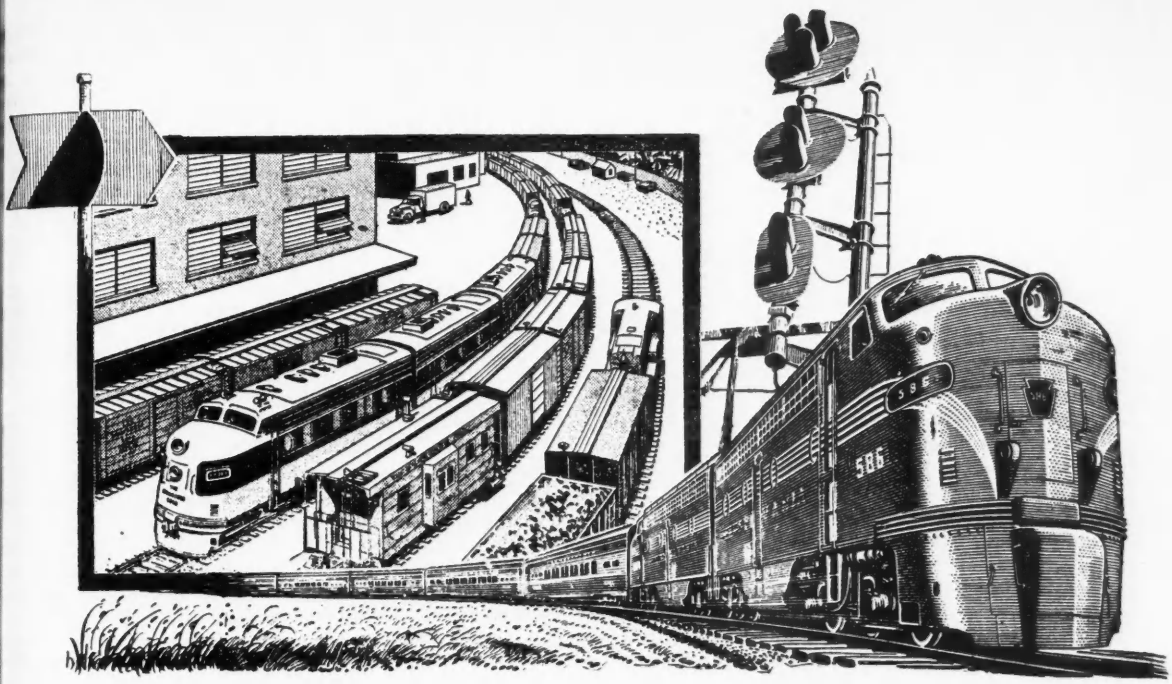
Addressograph-Multigraph which makes address ing, mailing and duplicating machines, has shown slight dip in net in the third quarter of the fisca year which ends July 31. But its sales volume holding up well, and it should participate in th general improvement of the industry. It has intro duced a new electronic printer for repetitive writin jobs.

National Cash Register has stepped up its inves ments in research and development. As a result, has introduced several important new products notably a cash register which shows how muc change a customer should receive. Earnings las year of $5.12 a share almost equalled the 1952 tota of $5.14 and in the first half, ran slightly ahea of the same period of 1952. In 1953, it bought contro of Computer Research, maker of electronic com puters.

Pitney-Bowes, quarter by quarter, has been able t show almost continuous growth since 1952. Make of equipment for metered mail, it has diversifie with the introduction of new lines of labor savin equipment. Reflecting the end of EPT last Dec. 31 first quarter net was 56 cents a share, against 3 cents in the same period of 1952.

Outlook for Typewriter Group

In the typewriter group—Royal, Smith-Corona Remington-Rand, and (*Please turn to page* 598



What is Going On In RAIL EQUIPMENTS?

By PHILLIP DOBBS

Responding to the question embodied in the above caption requires a two-part answer. One part is that many of the rail equipment builders have been and continue to move into other lines to become multiple-product manufacturers and therefore less dependent on the "feast or famine" rail equipment business.

The other part of the answer is that, as far as new business is concerned, especially for the freight car and locomotive builders and the suppliers of accessories, very little is going on. There is still some business being booked, but in nothing like the volume at this time last year or the preceding year. Deliveries of new domestic freight cars in June 1954, totaled 2,650. In June 1953, deliveries were 6,463 and in the corresponding month of 1952 6,411. Pointing up the situation still more vividly is the current backlog of orders. As of July 1, 1954, freight car business on the books totaled 13,860 units. A year ago the backlog stood at 52,315 and this compared with 99,615 cars as of July 1, 1952. Comparison of the July 1954 backlog with that on the same date last year and the year before makes quite a contrast, the current volume being 38,455 cars under that of a year ago and 85,755 less than the July 1952 figure.

Not all this business went to the car builders. Calculating roughly, a little more than one-third of the total was placed with private car lines' and the railroads' car shops last year and the year before. On the basis of July 1, 1954, figures the railroad shops appear to be getting more of the little business that is being placed. This is evident by the division of the current backlog, the railroad shops getting orders for 9,042 cars, or 65%, against the car builders' orders totaling 4,818 units. This increase in use of the railroads' own facilities for car building is not unusual at a time when new car demand is at a low point. The roads have a heavy investment in these shops and it is only good business to keep them busy and at the same time permits maintaining intact experienced work forces. An upsurge of freight car buying would again put a good part of the order backlog with the car builders.

The question, however, as to when there will be a revival of freight car ordering in substantial volume must await the action of the railroads before there can be an answer. Only the most optimistic is looking for a car buying movement anything like that of 1947 in which deliveries totaled 96,204 cars, or 1951 with deliveries of 84,218, with the year closing with orders on hand totaling 104,831 cars. This backlog, it should be noted, fell to 67,138 cars by the end of 1952 and fell to 27,678 at the close of last year with the downtrend continuing through the first six months of 1954. Undoubtedly, car orders so far this year would have been at a higher level freight carloadings and gross revenues of the roads in the closing months of 1953 and the first six months of this year held at levels comparable with those of the early months of 1953. Although most of the Class

I carriers continued to lay out sums for right of way facilities and structures and for yard and terminal improvement to speed up freight car classification and improve all-round operating efficiency, spending for new cars was cut by about 30 per cent. Freight cars represent equipment railroads need if for no other reason than to replace worn out stock, but ordering can be put off for quite a long time, especially if it is more economical to have old cars practically rebuilt.

The immediate outlook for the Diesel-electric locomotive builders does not warrant working up any enthusiasm over sales possibilities. With the exception of a few Class I roads dieselization more than 50 per cent have fully converted from steam to diesels with many others rapidly nearing completion of their dieselization programs. There is still some buying to come but not in volume matching that established in the six years–1948 to 1953–the era of the great shift when the railroads added 12,004 diesels and 10 gas turbine electric locomotives to their combined fleets, and retired approximately 23,000 steam locomotives, leaving only 11,696 steamers in active or standby service at the end of 1953. From a backlog of 1,720 diesel locomotives on builders' books at the close of 1951, orders on hand dwindled steadily to 395 locomotives at the end of 1953. With deliveries to the roads during the 1954 half-year the order backlog continued to shrink and as of July 1, this year, business on hand amounted to only 106 diesel units, plus 10 electric and eight gas turbine-electric units.

Eventually, no doubt, the steamers being held for standby work or actually in service of one kind or another will be replaced by the more modern hauling equipment, but this changeover is not likely to occur immediately or within a short period of time in any volume. There is also the question of when replacement demand will develop as diesels wear out. Considering that fully 80 per cent of those now installed have been in use less than eight years and inasmuch as even some of the oldest units have been mai tained in efficient condition by rebuilding some ti may elapse before replacement demand makes i appearance. It appears that the locomotive builde are in for lean times as compared with the bu years of 1948-1953.

That there would be a tapering off of locomoti demand did not come as a startling surprise to t builders of this type of equipment. As a matter fact they anticipated it and along with the freig car and passenger car builders who also became f up with the "feast or famine" nature of the r equipment business long ago went into other lin producing other products for a variety of expandi industries. There have been other changes also amo many of these equipment makers, some of a radic nature. *Pressed Steel Car Co.*, for example, has take itself out of the freight car building business.

Until about five years ago, when it got its d versification program under way, freight car co struction accounted for 100 per cent of its sale Last year car business represented only about per cent of total sales, the balance of 70 per ce came from the sale of petroleum pumping equipme conduit fittings, aircraft parts, engine lathes, ste tanks, stainless steel cookware and other product As the year closed, Pressed Steel had only one c building plant in operation and this was closed few months ago. Although it plans to remain in t industrial railway car and sugar cane car busines building such equipment in associated plants, t company is centering its attention on expanding i diversified line of products that contributed so su stantially to 1953 sales totaling $95.3 million as co pared to $4.2 million from $1.9 million for the pr ceding year; and net income rose to $1.56 a sha for the common stock from $1.12 a share for 195 notwithstanding the 1952 increase in depreciatio amortization of properties and development costs $715,000 over 1952 charges.

First 1954 quarter (*Please turn to page* 59

Position of Leading Rail Equipment Companies

	Full Year						1st Quarter						
	Net Sales (Millions)		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price Range	Recent Price	Div. Yield
	1952	1953	1952 %	1953 %	1952	1953	1953	1954	1953	Indicated 1954	1953-54		
AMER. BRAKE SHOE W.C. (mil.) '53—$30.2 W.C. (mil.) '54—$19.7	$135.4	$139.8	3.4%	3.5%	$ 3.52	$ 3.70	$ 1.00	$ 1.33	$ 3.00	$ 3.00	42 -31	$33	9.1%
ACF INDUSTRIES[1] W.C. (mil.) '53—$61.5 W.C. (mil.) '54—$69.7	257.0[2]	245.1[2]	3.4[2]	3.2[2]	9.18[2]	7.93[2]	.....	.....	4.61[3]	4.75[3]	49¾-30½	44	10.8
AMERICAN LOCO. W.C. (mil.) '52—$45.8 W.C. (mil.) '53—$48.8	349.9	440.7	1.8	1.7	2.84	3.40	.03	.64	1.40	1.40	18⅞-12½	15	9.3
AMER. STEEL FDRIES. W.C. (mil.) '52—$29.8 W.C. (mil.) '53—$31.6	139.6	149.7	4.3	4.2	5.09	5.34	2.73[4]	2.08[4]	3.00	2.00	40 -25⅝	27	7.4
BALD.-LIMA-HAM. W.C. (mil.) '52—$69.8 W.C. (mil.) '53—$71.4	269.0	276.3	2.6	2.6	1.51	1.54	.39	.28	.75	.80	11⅞- 8	10	8.0

W.C.—Working Capital.
1—Formerly American Car & Foundry.
2—Fiscal years ended April 30, 1953 and 1954.
3—Adjusted for 10% stock dividend.
4—6 months ended March 31.
5—Adjusted.
6—6 months ended June 30.

Position of Leading Rail Equipment Companies (Continued)

	Full Year						1st Quarter						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share			Indicated	Price Range	Recent	Div.
	1953	1954	1953	1954	1952	1953	1953	1954	1953	1954	1953-54	Price	Yield
BUDD CO.	$297.3	$336.0	3.0%	3.2%	$ 2.42	$ 2.88	$ .74	$ .33	$ 1.00	$ 1.00	16¾-10¾	$13	7.7%
W.C. (mil.) '52—$50.8													
W.C. (mil.) '53—$51.7													
GEN. AMER. TRANS.	136.6	177.3	4.7	4.2	3.03	3.38	.80	1.25	1.87½	2.50	55 -29	52	4.8
W.C. (mil.) '52—$33.1													
W.C. (mil.) '53—$35.4													
GEN. RWY. SIGNAL	21.6	19.8	6.7	6.2	3.99	3.30	.74	.68	2.50	2.50	37¾-25	31	8.0
W.C. (mil.) '52—$10.8													
W.C. (mil.) '53—$11.1													
N. Y. AIR BRAKE	35.9	41.9	5.2	4.9	2.63	2.84	1.51[6]	1.33[6]	1.60	1.60	23⅛-17⅛	19	8.4
W.C. (mil.) '52—$15.2													
W.C. (mil.) '53—$16.4													
POOR & CO. "B"	34.4	38.5	3.6	4.0	2.62	3.37	.64	.76	1.50	1.50	17⅞-13⅜	16	9.4
W.C. (mil.) '52—$7.0													
W.C. (mil.) '53—$7.2													
PRESSED STEEL CAR	51.2	95.3	3.8	2.7	1.12	1.56	.68	.07	.80	.80	11¾- 7¾	8	10.0
W.C. (mil.) '52—$12.2													
W.C. (mil.) '53—$13.6													
PULLMAN	330.4	404.2	2.9	2.7	4.51	5.02	1.24	1.92	4.00	4.00	55 -35¼	54	7.4
W.C. (mil.) '52—$113.0													
W.C. (mil.) '53—$114.4													
SYMINGT'N-GOULD	20.6	19.2	4.2	4.4	.86	.84	.54[6]	.10[6]	.50	.50	7¼- 4⅜	5	10.0
W.C. (mil.) '52—$6.5													
W.C. (mil.) '53—$6.5													
UNION TANK CAR	25.3	27.4	17.2	17.2	2.03[5]	2.19[5]	.41	.58	1.35[5]	1.50	31½-19½	28	5.4
W.C. (mil.) '52—$4.2													
W.C. (mil.) '53—$8.1													
WESTHSE. AIR BRAKE	93.6	145.1	11.2	6.9	2.55	2.43	.53	.22	2.00	1.60	29⅛-22¼	25	6.4
W.C. (mil.) '52—$59.4													
W.C. (mil.) '53—$71.9													
YGSTN. STEEL DOOR	17.5	17.4	6.5	6.7	1.73	1.75	.97[6]	.75[6]	1.00	1.00	16½-11	13	7.7
W.C. (mil.) '52—$7.8													
W.C. (mil.) '53—$8.2													

W.C.—Working Capital.

1—Formerly American Car & Fountry.
2—Fiscal years ended April 30, 1953 and 1954.
3—Adjusted for 10% stock dividend.
4—6 months ended March 31.
5—Adjusted.
6—6 months ended June 30.

American Brake Shoe: Higher earnings in first quarter due to rescheduling of shipments. Though replacement orders give measure of stability, new orders are lower. EPT lapse affords considerable cushion so that total 1954 earnings may not be much below 1953. C[1]

ACF Industries: Intensive efforts toward diversification proceding along promising lines. While earnings may decline moderately this year, strong position of company indicates that current regular $3 dividend can be maintained. B[2]

American Locomotive: Lower defense business and smaller orders for locomotives not encouraging for balance of year. EPT lapse helps to cushion earnings but net for 1954 will probably fall below last year. Atomic developments may improve long-range prospects. $1 dividend secure but stock quite speculative. C[2]

American Steel Foundries: Net earnings declined slightly more than 20% for fiscal half-year ended March, 1954. Demand for parts supplied by the company to rail equipment makers is falling. Lower earnings, despite EPT lapse, seen for fiscal year ending next September. Dividend recently reduced to 50 cents quarterly. C[2]

Baldwin-Lima-Hamilton: Both defense and regular business off. With completion of large-scale diesel program by railroads new orders have dropped sharply. Regular 40-cent dividend rate not covered in first quarter. C[2]

Budd Co.: Smaller defense business and cutback in automobiles output, especially from Chrysler, has affected outlook. Earnings sharply lower. Margin over dividends likely to decline through balance of year. C[2]

General American Transport: Highly stable business producing satisfactory earnings. New diversification should compensate for lower defense orders. Licensing fees rising rapidly and lower amortization charges should bolster earnings. Dividend covered by substantial margin. B[1]*

General Railway Signal: Business more stable than that of other rail equipment manufacturers. Lapse of EPT tends to support earnings though shipments are down. Net income this year probably moderately under 1953. Regular $2 annual dividend rate seems secure, there is some doubt about an extra. B[2]

N. Y. Air Brake: Absence of EPT aided 1954 first half-year's earnings. While sales of new air brakes are likely to be off, sustained pump business, particularly for military aircraft, should help to hold this year's net close to that of 1953. Current dividend requirements should be covered by wide margin. C[1]

Poor & Co. "B": Gain in 1954 first quarter earnings reflects cushioning effect of EPT elimination. Unless there is a fairly well sustained demand from the railroads this leading manufacturer of track supplies is likely to show a decline in volume for the current year, but continued benefit from lapse of EPT is likely to hold earnings close to 1953 level. C[1]

Pressed Steel Car: Has closed its last freight car shop and is centering efforts on expanding sales in other fields entered into during the last five years. Uncertain immediate outlook creates some uncertainty, particularly because of disappointing 1954 first quarter earnings, about dividend coverage for this year. D[2]

Pullman: Lower freight car orders partially offset by good backlog of passenger car business, as well as activities of Trailmobile and Kellogg operations. Good 1954 first quarter aided by EPT lapse. Look for sustained earnings through balance of year providing good coverage for dividend needs. B[1]

Symington-Gould: Second 1954 quarter deficit 10 cents a share. Smaller volume of business indicated for balance of year on basis of current outlook. Some uncertainty justified as to maintenance of 25-cent semi-annual dividend. D[2]

Union Tank Car: Continued good prospects for further growth of this second largest car leasing company. 1954 earnings should equal or surpass last year's results. Good income stock which could increase its dividend. B[1]*

Westinghouse Air Brake: Disappointing 1954 first quarter net on increased dollar sales volume indicates need for more time to integrate operations outside rail equipment field. Likely to maintain regular 40-cent dividend rate but may not duplicate last year's extra. C[2]

Youngstown Steel Door: Elimination of EPT provided some cushioning for 1954 first half-year's earnings. Sales in final six months may be sustained somewhat by demand for car doors and sides from railroad car shops. $1 annual dividend should be reasonably covered. C[1]

RATING: A — Best grade. B — Good grade. C — Fair. D — Poor. [1] **— Sustained earnings trend.** [2] **— Lower earnings trend.** * **— Most attractive in group.**



High Market

At recent best levels, the Dow-Jones industrial average was only some 10% under the towering 1929 high, from which the market crashed disastrously. However, there is no chance for another 1929-32 debacle under present conditions—which is not to say that reactions or bear markets are impossible, but simply that we have a far sounder and more conservative market situation than in 1929. Here are a few points of difference: More investment now, less speculation. The share turnover ratio is less than 15% of what it was in 1929. As percentage of total value of listed shares, brokers' loans to customers for carrying stocks are less than 10% of what they were in 1929. On an average for middle to uppergrade industrial stocks, price-earnings ratios are now around 11.0, compared with over 18.0 at the 1929 high. Average industrial yields around 4.7% are the lowest in some years, but compare with less than 3.3% at the 1929 market peak. In 1929, high-grade bonds yielded more income than stocks. Today, although the spread has been narrowing, stocks still yield about 62% more return than bonds. Perhaps the most significant difference is the vast growth of institutional demand for equities for long-pull retention; and growth of conservative investment also on the part of individuals. The latters' holdings tend to be more frozen than in the past, partly by plan, partly because taxes on realized gains are much heavier than in the 1920's. Last, but not least, manipulation and other evils were rife in 1929, while today we have an honest market under strict SEC and Stock Exchange regulation for the public good.

Institutions

For a long time the actual role played in the stock market by institutional funds was largely guesswork. More light has been thrown on it by recent New York State Exchange studies, based on brokers' detailed reports of customer transactions on two sample trading days spaced a week apart. It indicated that institutional funds of all kinds, including bank-managed trust funds of individuals, accounted for about one fourth of total stock transactions. The Exchange's President Funston states that "institutions no hold one-third of all shares" liste on the Big Board. That is aroun $40 billion. It is concentrate largely, though not exclusively, i better-grade stocks, prominen stocks which probably represen something less than one fifth individual listed stocks. Institu tions buy and sell, but on an over all basis the buyers on balance Thus, more and more of institu tional-grade shares are taken ou of the market. As would be ex pected, most growth stocks an a majority of top-grade incom stocks are well above their high est 1929 prices. Most secondar and speculative stocks are far un der 1929 highs. The "cats an dogs" are furthest down from pas highs, which were most extrem in 1928 and 1946. That is how should be.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Blockson Chemical Co.	6 mos. June 30	$1.34	$1.02
Continental Can Co.	6 mos. June 30	2.48	1.91
General Bronze Corp.	6 mos. June 30	1.67	1.57
General Portland Cement Co.	6 mos. June 30	3.08	2.69
Gillette Co.	6 mos. June 30	2.94	2.06
Kimberly-Clark Corp.	Year Apr. 30	5.23	4.08
MacAndrews & Forbes Co.	6 mos. June 30	1.61	1.51
Monarch Machine Tool Co.	6 mos. June 30	2.37	2.25
Southern Co.	12 mos. June 30	1.22	1.16
Thompson Products, Inc.	6 mos. June 30	4.80	3.97

atomy

The Exchange studies heretore cited throw some interesting ht on the anatomy of the mart in a number of respects. For stance, on the sample days ecked, people under 40 account for only 12.2% of transactions individuals (excluding own erations of brokers and deals). Those from 40 to 59 acunted for 56.1% of transacns; those 60 or older 22.4%. en accounted for 77% of the ansactions, women for 23%. out two-thirds of these individl operations were classed as g-term investing, 22% as ort-term investing (less than months' holding), about 12% quick-turn trading. (Less than days' holding). The most popu price range for stocks bought s $10 to $15, though it acunted for only 15% of all transtion for public individuals on e sample days; the least popu was the price range above $90. ly about 20% of the buying was imarily for income, the bulk of in hope of gain.

uality

Looking at the market's whole vance since last September, the mphasis has been heavily on ality. But more recently demand s been spreading down to specuative issues, as is usual at an adnced stage. The market is farng better than the Dow industrial erage, the reverse of what had ng been the situation; and our eekly index of 100 low-priced ocks has recently been showing heels to the index of 100 highiced stocks. This has not been ing on long enough to make the arket unduly vulnerable, but it uld do so in time. Secondary or eculative stocks reflecting good rrent demand include Allis almers, American Machine & Foundry, American Seating, American Smelting, Armco Steel, Baltimore & Ohio, Blaw L. Knox, Bucyrus Erie, Celotex, Decca Records, Eastern Air Lines, Federal Mogul, General Tire, Gimbel, Masonite, National Gypsum, Norwich Pharmacal, Pabco Products, Pittston, Radio Corp., Remington Rand, Rheem Mfg., and Western Auto Supply.

Groups

Among the stock groups performing best at this writing are air lines, drugs and toilet articles, finance companies, food brands, food stores, machinery, paper and public utilities. Aircrafts are still active though at times under mild pressure from profit taking, following a long period of high flying. As they are still priced fairly low on probable per-share earnings of the next couple of years, the group may well get going again. The leaders are still Boeing and Douglas, but Republic and North American may come in for increased attention. Oils are having a fair rally at this writing, responding to vigorous efforts by leading companies to correct gasoline over-supply by cutting refinery output. Cigarette stocks are slightly firmer, since the second-quarter profit reports so far issued made a better showing than some had evidently expected. Variety-store stocks continue to perform poorly, with operating margins in this field of retailing remaining under pressure. Poor action of most rail equipments reflects the industry's current slump in orders, output and earnings.

Cans

Manufacture of tin cans is a good line of business. Competition is not too rough, with two big companies—American Can and Continental Can—handling the bulk of the business. Demand is fairly stable, and subject to persistent growth at a fairly substantial, even though not spectacular, rate. Cans were formerly used almost entirely for foods. Non-food items in cans have provided an important portion of the business in comparatively modern years. Now begun in a small way, the switch of soft-drink makers to can packaging could in time aid can makers considerably. American Can and Continental are good stocks to buy when they are down in price, or to buy with savings on a dollar-averaging basis. They seem rather amply priced at present, with American around 46, on possible 1954 net of $2.75 or so a share, yielding around 3% on a $1.40 dividend; and Continental around 74 on earning power of perhaps $4.75 and yielding about 4% on a $3 dividend rate.

Dairy Products

Dollar sales of dairy products this year probably will gain slightly, despite lower milk prices. The latter are aiding profit margins. EPT lapse is moderately beneficial. Record earnings, around $6 a share, against 1953's $4.63, seem likely for National Dairy Products. The stock, now around 79, has had a considerable advance, but may be subject to a split and the $3.00 is likely to be raised either to $3.50 or $4. Borden might net $5 a share or a little more, against $4.71 last year. It could pay more than the $2.80 distributed in recent years. Assuming $3, the yield at current price of 70 would be only 4.3%. Aided by acquisition of Creameries of America, Beatrice Foods might net $4.50 to $5 in its current fiscal year, and pay at least $2.50, against the $2.25 of recent years. At 50, the stock is at the highest level since 1929 (when it got to 65½), but it is not extreme on indicated earnings or yield. Taking all factors into account, National is the most attractive of the three for long-term investment. It is no bargain from a shorter-term view, and neither is Borden nor Beatrice.

1929 Levels

Among the 30 Dow industrials, those which are above their 1929 high by wide margins are Bethlehem Steel, duPont, Eastman Kodak, General Electric, General Motors, National Steel, Sears,

(*Please turn to page 600*)

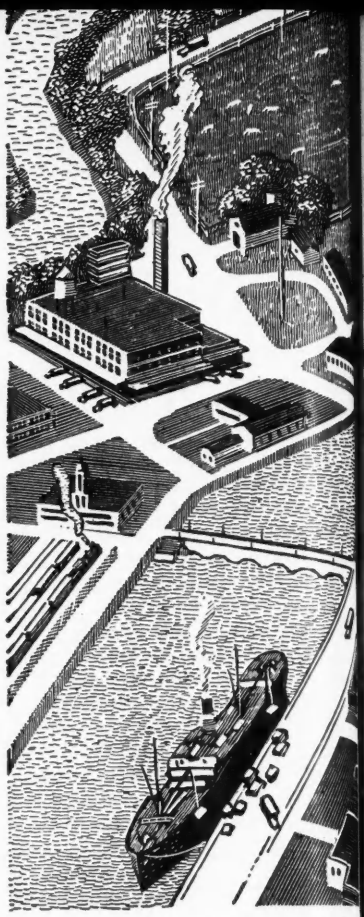
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Am. Broad.-Paramount	6 mos. June 30	$ .37	$ .51
Elliott Co.	6 mos. June 30	1.59	2.23
Industrial Rayon Corp.	6 mos. June 30	2.10	2.33
Mead Corp.	24 wks. June 13	2.01	2.10
Minnesota Pwr. & Lt. Co.	12 mos. June 30	1.83	1.88
Mullins Mfg. Corp.	6 mos. June 30	.92	1.25
Pennsylvania Salt Mfg. Co.	6 mos. June 30	1.43	1.52
Republic Steel Corp.	6 mos. June 30	4.01	4.72
Safeway Stores, Inc.	24 wks. June 19	1.76	1.83
United Fruit Co.	6 mos. June 30	2.44	2.95

The Business Analyst

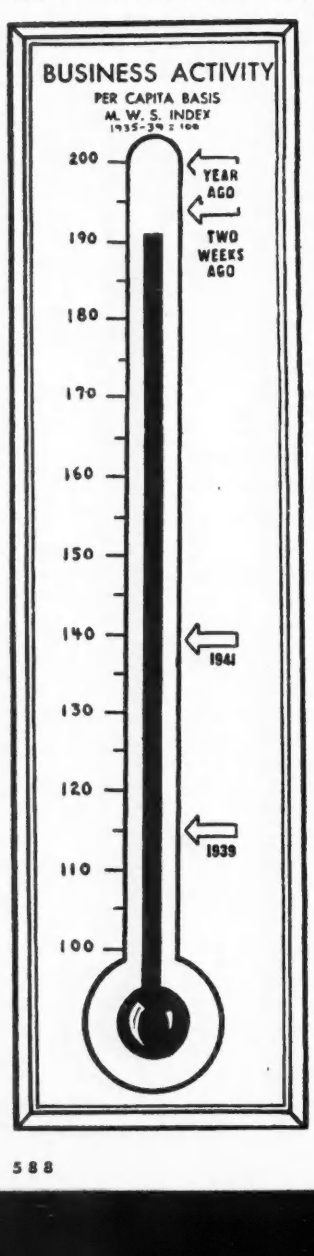
What's Ahead for Business?

By E. K. A.



The retail trade situation, with the usually active fall selling season only a few weeks away, is decidedly mixed not only from the standpoint of volume but also from the standpoint of profits.

Department stores, determined to put an end to the traditional summer slump in sales volume, have done surprisingly well in recent weeks. July sales, on the basis of preliminary returns, ran a few percent above last year. However, this was largely the result of extensive promotions, and promotions are expensive. There is little doubt that department stores can pull in the business if they advertise sufficiently, but there is considerable question whether the additional business obtained is worth the extra costs.



With department stores, more than many other retail outlets, costs have been rising disproportionately to sales volume in recent years, cutting steadily into profit margins and earnings. Self service, considered not many months past as the answer to rising costs, has not worked out as well as hoped where tried on a pilot basis.

During the balance of this year, department store business is likely to run a little ahead of the corresponding period last year, when volume was contracting. Increases in operating costs since a year ago will about offset the larger volume, in all probability.

Curtailment of agricultural production through government acreage restriction programs and severe drought, with little or no offsetting increases in overall prices of farm products, does not augur well for the big mail order houses which depend so heavily on the farm market. Partly as a result of declining farm income, mail order sales have slipped this year and may slip back a little more this Fall if the decline in farm purchasing power is accelerated as seems likely. Farm implement business, both through the mail order houses and through dealers, has contracted considerably and little or no betterment is in sight.

Retail food sales have held fairly constant, apart from seasonal considera tions, throughout the year. The chain stores, as a result reduced consumer income and industrial unemployment, hav improved their percentage of the total food business a little The take in the supermarkets has gone up while sales in th smaller stores are off.

With meat prices on the skids as a result of exceptionall heavy cattle slaughter and increased hog numbers, food store sales volume may contract a little this Fall. Meats ac count for approximately 20 percent of the consumer food bill, and the level of meat prices consequently is an im portant factor in total food sales. Prices of some other foods may be hiked a little as a result of the drought but probably not enough to offset the declines in meats.

Automobiles sales, up more than seasonally during June slumped in July. As a result, the industry now is inclined to take a less optimistic view of the outlook for business during the balance of the year. Numerous dealers, who shortened their discounts or eliminated them entirely as demand broad ened in June, have begun to cut prices again in order to keep cars moving.

Furniture and appliance sales, which improved hopefully last Spring, have drifted off again. The war scare may have accounted for the spring pickup in appliances as well as in automobiles. The decline in the marriage rate and the possibility of a contraction in residential building suggest that the downpull in both furniture and appliance sales may continue, with color television and improvements in appliances acting as a partial offset.

The traditional fall improvement in retail business, rising to a crescendo just before Christmas, may not come quite up in toto to the usual expectation this year. On balance, soft goods probably will do relatively better than durables although some spots, such as apparel lines, may not equal last year's sales figures.

The Business Analyst

HIGHLIGHTS

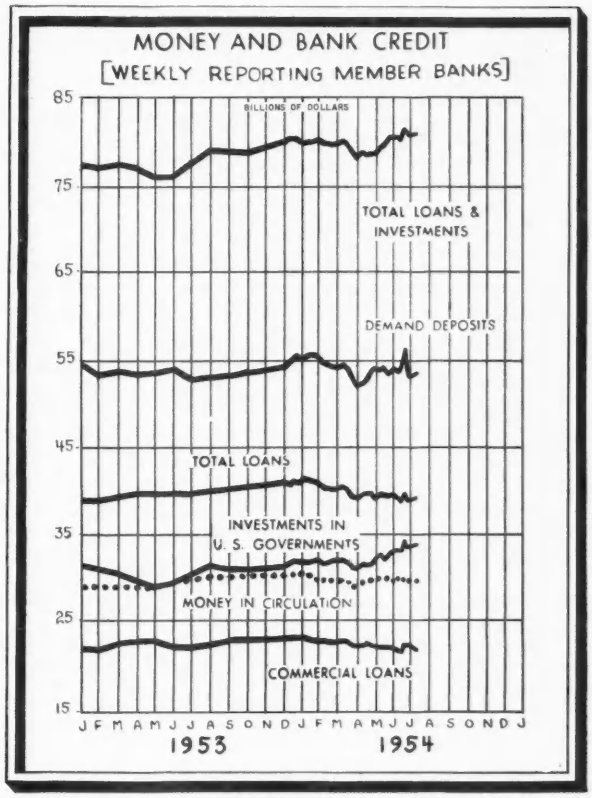
MONEY & CREDIT — The Treasury has not lost any time in embarking on its borrowing and refunding program for the second half of 1954. Hard on the heels of the Federal Reserve Board's cut in reserve requirements, the nation's fiscal authority offered for cash, $3.5 billion of 1% tax anticipation certificates maturing next March and acceptable for tax payments at that time. Response to the offering was enthusiastic with subscriptions running some three times as high as the amount offered for sale and the issue went to a small premium in when-issued trading. Terms of this offering afford a good illustration of the big change in the money market in a year's time. Just one year ago the Treasury had to pay no less than 2½% on an issue almost exactly similar to the one that investors are now eager to get at a 1% yield.

The Treasury has given an inkling of what holders of $7.5 billion of obligations maturing in August and September are going to get; a choice of either a new one-year certificate or of a somewhat longer obligation, with the exact terms expected soon. In any event there is not going to be any dramatic attempt to lengthen the maturity dates of the debt. Instead, the Treasury is doing its best to accommodate itself to investor needs and is being very careful not to impose any undue pressure on the money market at this juncture of the business cycle.

Investors in corporate obligations were heartened by the continuing evidence of an easy money policy and the $150 million offer of General Motors Acceptance Corp. 10 and 15 year debentures was a quick sell-out at yields of 2.865% and 2.97% respectively. The rapid placement of the finance company's paper reacted favorably on other new issues that had been rather sticky with the $40 million Columbia Gas debentures in heavy demand after a long period in underwriters' hands while the $6 million Duquesne Light preferred stock offer had a similar experience. The big item now on the new issue calendar is the $300 million United States Steel serial bond issue with strong demand already in evidence and the longest term maturities in greatest favor. This preference for longer term investments reflects growing investor confidence in the long-term trend of interest rates.

Seasoned fixed-income securities have given a good account of themselves in the two weeks ending July 23, with the Treasury's longest term 3¼s of 1983-1978 gaining ½ point and the Victory 2½s adding ¼. Best grade corporates have been holding their own while tax exempts have continued their strong recovery from previously depressed levels. Thus the Bond Buyers' yield index of 20 municipals now stands at 2.28%, a new low for the year and a decline of 8 basis points from its level of two weeks ago.

TRADE — Consumer buying has eased a bit recently with July's dog days discouraging would-be purchasers. Dun & Bradstreet estimates that total retail sales in the week ending Wednesday, July 21, were under the previous week and about 1% below a year ago, with the New England section making the worst showing. Demand for apparel dipped despite price reductions and most household items moved sluggishly. Radio, television and appliance sales were spotty although hardware demand improved.



INDUSTRY — Industrial output in June was unchanged from May according to preliminary estimates by the Federal Reserve Board which indicate that the index of industrial output, after seasonal adjustment, remained at 124% of the 1947-1949 average. This is slightly above the recession low of 123% reached in March but still 9% below a year ago. Auto output was down in June and further curtailment in July is indicated. Steel production, which averaged 72% of capacity in June, has been lower in July. Operations are scheduled at 66% of capacity rate for the week ending July 24 which represents a pick-up from earlier weeks in July. In fact, many industries cut output last month but in most cases this is a reflection of a growing tendency to take yearly vacations during this period and is thus of a seasonal nature.

COMMODITIES — Commodity prices in general were slightly easier in the week ending Tuesday, July 20, and the Bureau of Labor Statistics' comprehensive price index dropped 0.1% to 110.1% of the 1947-1949 average. Meats were especially weak, declining 2.3% during the period. Farm products eased slightly with lower quotations for fresh fruits and vegetables, poultry, coffee and livestock, offsetting advances in

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	June	3.9	3.2	5.4	1.6
Cumulative from mid-1940	June	554.9	551.0	506.7	13.8
FEDERAL GROSS DEBT—$b	July 20	270.9	271.0	272.5	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	July 14	53.7	53.3	52.6	26.1
Currency in Circulation	July 21	29.9	30.0	30.1	10.7
BANK DEBITS—(rb3)**					
New York City—$b	June	60.2	60.5	52.4	16.1
344 Other Centers—$b	June	96.9	96.1	95.8	29.0
PERSONAL INCOME—$b (cd2)	May	285	284	286	102
Salaries and Wages	May	188	188	193	66
Proprietors' Incomes	May	49	48	49	23
Interest and Dividends	May	24	24	23	10
Transfer Payments	May	16	15	16	10
(INCOME FROM AGRICULTURE)	May	16	16	14	3
POPULATION—m (e) (cb)	June	162.2	162.0	159.4	133.8
Non-Institutional, Age 14 & Over	June	116.2	116.1	115.0	101.8
Civilian Labor Force	June	65.4	64.4	64.7	55.6
Armed Forces	June	3.4	3.4	3.5	1.6
Unemployed	June	3.3	3.3	1.6	3.8
Employed	June	62.1	61.1	63.2	51.8
In Agriculture	June	7.6	6.8	8.1	8.0
Non-Farm	June	54.5	54.3	55.0	43.2
Weekly Hours	June	42.5	41.6	43.3	42.0
EMPLOYEES, Non-Farm—m (1b)	June	48.1	47.9	49.9	37.5
Government	June	6.6	6.7	6.6	4.8
Trade	June	10.4	10.4	10.5	7.9
Factory	June	12.4	12.4	14.0	11.7
Weekly Hours	June	39.6	39.3	40.7	40.4
Hourly Wage (cents)	June	181.0	180.0	177.0	77.3
Weekly Wage ($)	June	71.68	70.74	72.04	21.33
PRICES—Wholesale (lb2)	July 20	110.1	110.2	110.9	66.9
Retail (cd)	May	208.8	208.1	208.2	116.2
COST OF LIVING (lb2)	May	115.0	114.6	114.0	65.9
Food	May	113.3	112.4	112.1	64.9
Clothing	May	104.2	104.1	104.7	59.5
Rent	May	128.3	128.2	123.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	May	14.0	14.2	14.4	4.7
Durable Goods	May	4.7	4.9	5.2	1.1
Non-Durable Goods	May	9.3	9.4	9.3	3.6
Dep't Store Sales (mrb)	May	0.81	0.84	0.89	0.34
Consumer Credit, End Mo. (rb)	May	27.5	27.3	26.9	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	May	23.1	23.0	25.9	14.6
Durable Goods	May	10.1	10.0	13.1	7.1
Non-Durable Goods	May	12.9	13.0	12.8	7.5
Shipments—$b (cd)—Total**	May	24.1	24.4	25.8	8.3
Durable Goods	May	11.4	11.5	13.1	4.1
Non-Durable Goods	May	12.7	12.9	12.7	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	May	79.4	79.5	79.7	28.6
Manufacturers'	May	44.8	45.2	45.7	16.4
Wholesalers'	May	11.8	11.6	11.6	4.1
Retailers'	May	22.8	22.7	22.5	8.1
Dept. Store Stocks (mrb)	May	2.4	2.4	2.5	1.1
BUSINESS ACTIVITY—1—pc	July 17	191.3	194.0	199.0	141.8
(M. W. S.)—1—np	July 17	238.1	241.5	242.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 589)

grains, soybeans and eggs. Among industrial commodities, burlap, cowhides, some petroleum products and cast iron scrap, all finished behind minuus signs.

—o—

CONSTRUCTION CONTRACT AWARDS have again broken records in June with the total of $1,733 million in contracts for the 37 states east of the Rockies, the highest for any June on record, F. W. Dodge Corporation has reported. The month was 43% ahead of a year ago and brought total contract awards for the first half of this year to $9,351 million or 17% above the corresponding 1953 period. The best showing for the first six months was made by residential building contracts of $3,981 million, a 22% gain over the January-June period of last year. Non-residential contract awards of $3,408 million were 15% ahead of the comparative 1953 period while heavy engineering awards of $1,862 million were 10% higher. The record level of contract awards in recent months virtually guarantees a high level of building activity till well into the Fall at least with the trend of construction activity after that date dependent on future contract awards.

* * * *

New orders for **MACHINE TOOLS** spurted in June and the National Machine Tool Builders Association's index of such orders rose to 186.8% of the 1945-1947 average from 139.5% the previous month. However, new orders were still substantially below a year ago when the index stood at 273.4. Shipments were up a bit this June to 277.8% of the base period from 270.3% the preceding month while output declined to 366.6% of the 1945-1947 base from 377.0% in May. At current rates of production it would take 3.6 months to complete all orders on the books at the end of June. This compares with 3.8 months for May's backlog and 7.4 months for June, 1953 orders at then-current rates of output.

* * * *

Individuals salted away $3.3 billion in **LIQUID SAVINGS** in the first quarter of 1954, biggest first quarter in history and up from $2.4 billion in the January-March period of 1953, the Securities & Exchange Commission has reported. Outstanding change from a year ago was in consumer debt, which fell $1.3 billion, thus increasing net savings. In the first three months

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	June	124	124	136	93
Mining	June	111	111	119	87
Durable Goods Mfr.	June	135	135	154	88
Non-Durable Goods Mfr.	June	116	116	121	89
CARLOADINGS—t—Total	July 17	695	570	791	933
Misc. Freight	July 17	332	280	369	379
Mdse. L. C. L.	July 17	59	60	63	66
Grain	July 17	70	54	64	43
ELEC. POWER Output (Kw.H.) m	July 17	8,951	8,183	8,209	3,266
SOFT COAL, Prod. (st) m	July 17	7.2	5.3	9.2	10.8
Cumulative from Jan. 1	July 17	196.3	189.1	240.5	44.6
Stocks, End Mo.	May	69.4	70.6	72.9	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	July 16	6.3	6.3	6.6	4.1
Gasoline Stocks	July 16	162	164	142	86
Fuel Oil Stocks	July 16	52	52	48	94
Heating Oil Stocks	July 16	95	91	95	55
LUMBER, Prod.—(bd. ft.) m	July 17	132	99	231	632
Stocks, End Mo. (bd. ft.) b	May	9.3	9.2	7.7	7.9
STEEL INGOT PROD. (st) m	June	7.4	7.5	9.4	7.0
Cumulative from Jan. 1	June	44.1	36.7	57.9	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	July 22	259	431	264	94
Cumulative from Jan. 1	July 22	7,816	7,557	8,618	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	July 17	192	181	196	165
Cigarettes, Domestic Sales—b	May	31	31	31	17
Do., Cigars—m	May	480	486	506	543
Do., Manufactured Tobacco (lbs.)m	May	17	17	17	28

PRESENT POSITION AND OUTLOOK

of last year, such debt rose by $300 million. Investment in securities was $2.3 billion higher in the first quarter of this year with $200 million going into U. S. Savings Bonds, $700 million into other Federal issues, $600 million to state and local government bonds and $800 million into corporate securities. Currency and bank deposits declined sharply, dropping by $2.2 billion, partly the result of such seasonal influences as March tax payments. Equity in insurance and in savings and loan associations rose by $3.3 billion which was close to former rates of gain while mortgage debt was up $1.3 billion, a smaller increase than the $1.9 billion gain of a year ago.

* * * *

Manufacturers shipped 7,299,621 **PASSENGER TIRES** in May, a gain of 1.2% over April, according to compilations by the Rubber Manufacturers Association. 6,984,582 tires were produced in May, slightly below April's output and far below the 7,670,352 tires turned out in May, 1953. With shipments this May above output, inventories in the hands of manufacturers fell 2.9% to 12,575,264 units at the end of the month. A year ago producers had 13,655,727 passenger car tires in stock.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

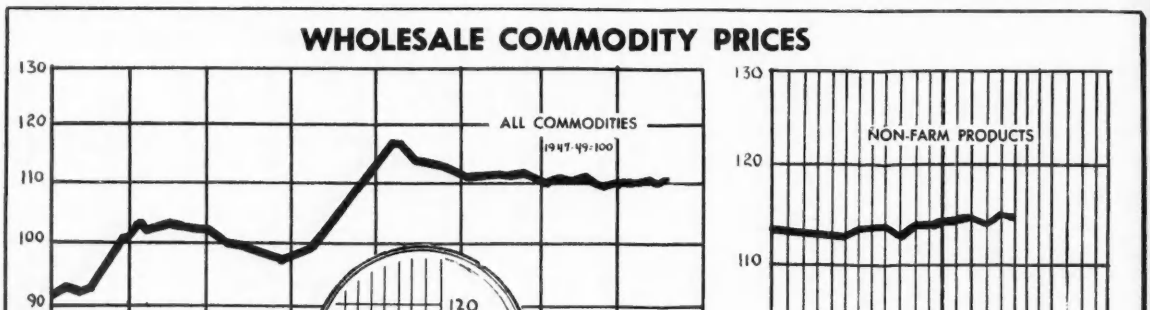
No. of Issues (1925 Cl.—100)	1953-'54 Range High	1953-'54 Range Low	1954 July 16	1954 July 23
300 COMBINED AVERAGE	233.4	177.2	230.4	233.4A
4 Agricultural Implements	263.3	179.0	213.0	207.6A
10 Aircraft ('27 Cl.—100)	678.1	330.3	678.1	665.9
7 Airlines ('27 Cl.—100)	693.9	492.6	635.5	665.0
7 Amusements	122.0	76.4	122.0	122.0
10 Automobile Accessories	289.4	213.8	252.9	257.5
10 Automobiles	49.4	38.4	42.0	42.8
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.5
3 Business Machines	495.9	311.4	481.8	495.9A
2 Bus Lines ('26 Cl.—100)	273.2	170.2	261.6	270.9
6 Chemicals	428.4	337.9	428.4	428.4
3 Coal Mining	15.4	9.0	9.9	9.9
4 Communications	79.3	58.6	75.2	79.3A
9 Construction	84.6	57.9	84.6	84.6
7 Containers	662.2	456.9	657.3	662.2A
9 Copper & Brass	186.0	125.3	181.9	186.0A
2 Dairy Products	128.0	82.3	128.0	124.9
5 Department Stores	71.5	54.6	68.8	71.5A
5 Drug & Toilet Articles	289.6	203.8	282.5	289.6A
2 Finance Companies	502.5	341.8	494.5	502.5A
2 Food Brands	229.0	113.0	223.2	229.0A
2 Food Stores	147.6	113.0	147.6	146.3
3 Furnishings	79.2	59.6	64.9	64.9
4 Gold Mining	760.0	502.3	622.9	648.0

(Nov. 14, 1936, Cl.—100)	High	Low	1954 July 16	1954 July 23
100 HIGH PRICED STOCKS	152.6	114.4	150.8	152.6A
100 LOW PRICED STOCKS	270.1	203.7	266.5	270.1A
4 Investment Trusts	126.8	93.1	125.8	126.8A
3 Liquor ('27 Cl.—100)	967.8	805.8	865.8	874.3
11 Machinery	283.4	181.0	273.2	283.4
3 Mail Order	139.1	101.0	137.0	139.1A
3 Meat Packing	101.7	78.7	94.3	93.4
10 Metals, Miscellaneous	287.4	198.4	275.4	273.4
4 Paper	641.3	394.9	636.7	641.3A
24 Petroleum	505.0	376.5	464.6	480.8
22 Public Utilities	225.5	173.8	223.6	225.5A
8 Radio & TV ('27 Cl.—100)	36.9	27.6	35.1	35.6
8 Railroad Equipment	64.1	49.1	61.4	59.9
20 Railroads	53.2	41.8	51.0	51.0
3 Realty	70.6	42.3	68.5	68.5
3 Shipbuilding	383.4	228.7	380.5	383.4A
3 Soft Drinks	433.3	339.0	406.7	406.7
11 Steel & Iron	168.9	122.8	163.7	168.9A
3 Sugar	59.8	45.9	50.0	51.4
2 Sulphur	709.4	525.6	698.6	693.2
5 Textiles	162.2	101.3	127.6	126.6
3 Tires & Rubber	113.1	70.4	109.6	113.1A
5 Tobacco	105.2	73.5	75.2	77.7
2 Variety Stores	319.5	274.4	280.1	277.2
16 Unclassified ('49 Cl.—100)	125.7	97.0	121.8	121.8

A—New High for 1953-1954.

Trend of Commodities

Most commodity futures worked higher in the two weeks ending July 27. The worsening foreign situation brought in general buying while drought news encouraged grain traders. The Dow-Jones Commodity Futures Index gained 3.26 points during the period to close at 183.65, after reaching 183.81 on July 26, its highest level in more than two years. September wheat added 2½ points in the two weeks ending July 27 to close at $2.08½ after being as high as 214⅛ on July 19. Wheat was strong in the first half of the period in sympathy with other grains but sold off later. Improved prospects for a flexible price support law restrained optimism while farmer approval of wheat controls in the July 23 referendum failed to bolster prices. The weather played a major role in the corn market during the period under review with the December option soaring 11 cents to close at $1.58 on July 27. Drought reports and a heat wave brought in extensive buying but later expectations of rain made for some liquidation. It is still too early to tell whether crop damage this year will be serious and the huge Commodity Credit Corporation holdings are available to alleviate any shortages that may develop. Cotton futures have rallied a bit during the fortnight and the October option gained 18 points to close at 34.40. Crop damage reports have been frequent although the trade is awaiting the Agriculture Department's crop report due August 9, before drawing any conclusions as to the seriousness of the damage. The Department has predicted that consumption would pick up this season with total use expected to approach 13.7 million bales, a 1.3 million bale increase over last season. However, with some 9.7 million bales of cotton currently on hand, most of it under Government control, chances of a cotton shortage are certainly remote.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date July 23	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	91.0	91.5	92.8	88.3	53.0
9 Foodstuffs	97.9	99.4	103.4	91.0	46.1
3 Raw Industrial	86.4	86.3	86.0	86.3	58.3
5 Metals	96.1	96.1	93.2	96.9	54.6
4 Textiles	87.2	87.1	87.0	90.3	56.3
4 Fats & Oils	67.4	67.2	77.0	57.5	55.6

14 Raw Materials, 1923-25 Average equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
	Aug. 26,1939—63.0			Dec. 6, 1941—85.0				
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6

Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

Work has already started on the construction of a $3 million ammonia producing plant at Natrium, W. Va., for the Columbia-Southern Chemical Corp., a subsidiary of **Pittsburg Plate Glass Co.** The plant, scheduled to go into operation in April, 1955, will mark Columbia-Southern's entry into the ammonia producing business. The company will utilize hydrogen, a by-product of the electrolytic production of chlorine and a caustic soda at the Natrium works, to produce ammonia.

An announcement by **Republic Steel Corp.**, carries the news that the company will spend close to $10 million for expansion and improvement of its facilities over the next year. Of the total sum, already appropriated, about $5 million will go for new equipment for the Warren and Youngstown, Ohio, plants. Included will be continuous hot tip galvanizing equipment at Warren, a new facility for Republic. The Youngstown plant will get equipment for producing electric weld line pipe for high pressure lines. The complete program calls for a new building and equipment at the Gary plant of the Union Drawn Steel division; a new building and equipment at Canton, and new hot rolled strip coiling equipment at Cleveland. In announcing the plans, the company said it is optimistic about the future of the steel business and that Republic has shown good earnings can be maintained with operations around 70% of capacity.

Air conditioning equipment for the U. S. Navy's third super aircraft carrier, as yet unnamed, will be supplied by **Carrier Corp.** which also supplied the U.S.S. Saratoga and the U.S.S. Forrestal, the first two super carriers, with equipment similar to that which will go into the newest ship. Seven centrifugal refrigerating machines to handle all air conditioning and refrigerating requirements will be installed. The cooling capacity of the equipment will be equivalent to the melting of abouut 1,050 tons of ice during a 24-hour period. Incidentally, it is believed that the total cost of the new super aircraft carrier will be about $117.5 million.

Gould-National Batteries, Inc., has been awarded a contract amounting to about $3 million for the manufacture of submarine storage batteries for the U. S. Navy. The company has long been a supplier of batteries for submarines, including **General Dynamics Corp.'s** "Nautilus" the Navy's first atomic powered submersible.

Pan American World Airways has placed orders with **Douglas Aircraft Co.**, for 15 DC-7C planes which will involve expenditures of approximately $33 million. Deliveries are scheduled to start early in 1956. It is said that the DC-7C will cruise at 365 miles an hour, and have a range of 5,000 miles. Their fuel capacity is rated at 7,860 gallons, approximately 1,460 gallons more than the fuel capacity of the latest DC-7B Douglas plane.

Because, according to a company statement, of its inability to reach an agreement with Local 957, United Electrical Workers (Ind.), the **Square D Co.**, Detroit manufacturer of electrical equipment, has dropped its plan to put up a new $750,000 plant in Royal Oak, Mich. The Company, it is reported, will continue to maintain its present Detroit plant, recently struck by the union, and in place of the proposed Royal Oak facility plans to erect a 40,000 square foot plant in New Jersey, possibly in Secaucus.

The Ordnance Tank-Automotive Command announces it plans to purchase $266 million of combat and tactical vehicles for delivery beginning in June, 1955 and extending through May, 1956. While no breakdown of the amount to be spent is available, it is said the vehicles to be purchased include the Patton M-48 medium tank, of which the current producer is the Fisher Body division of **General Motors Corp.**; the M-59 armored infantry vehicle now in production at **Food Machinery & Chemical Corp.**, and the M-42 twin 40-millimeter self-propelled gun built on the light tank chassis and the five-ton cargo truck. General Motor's Cadillac division is now building the two 40-m.m. gun at the Government-owned Cleveland tank plant. Current production of all this ordnance is under contracts previously awarded. Both Ford and **Chrysler Corp.**, were at one time in production on the Patton M-48, and **International Harvester** is equipped to produce the M-59's. It is said bids for the new orders will be asked from firms "considered a part of the active or standby base established for each item."

More meat will be produced in the U. S. this year than ever before in history, according to the American Meat Institute. It states present trends indicate a production of 25.5 billion pounds, bettering the previous 25.2 billion pounds output of 1944. Approximately 39.7 million head of cattle and calves are expected to come to market in 1954, but this will be subject somewhat to drought or other unpredictable conditions. The announcement goes on to say that after two years of curtailment, 11% more hogs are expected to be processed under Federal inspection in the 1954-55 market year, which begins in the current month.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Crown Zellerbach Corp.

I have been a subscriber of yours for a long time and do not often use your advisory service regarding stocks. However, at this time I would like to ask you about Crown Zellerbach Corp. as to recent earnings, dividends and prospects over coming months.

S. L., Cleveland, Ohio

Crown Zellerback Corp. reported net sales for the fiscal year ended April 30, 1954 were a record $297,959,320 compared with $252,765,012 in the previous year. Net income also was at record level, reaching $26,827,864 or $3.65 a share, compared with $21,889,705 or $3.52 a share in the year earlier.

Production of paper and paperboard for the year totaled 1,058,809 tons an increase of 18% over the 894,384 tons produced in the previous year. Production for the year also established a company record.

The company is proceeding with its long-range expansion plans despite current adjustments which are affecting the economy.

Mr. Zellerbach stated "We believe that the continuation of favorable economic conditions depends in large measure upon confidence in the future and positive efforts of business and industry."

"A decrease in defense expenditures and an effort to reduce the inventories has marked a tapering off of the national economy during the six months ended April 30th, but declines now appear to be leveling off."

Expansion and normal capital investment will require the expenditure of about $28,000,000 in the coming year. This includes $11,000,000 which would be used to continue modernization of newly acquired St. Helens Pulp & Paper Co.

Expenditures on additions and improvements during the past year totaled $17,808,000, and were $13,196,000 in the year before that.

As of April 30, 1954 current assets were $126,949,556, current liabilities $27,748,720 leaving net working capital $99,200,836.

Crown Zellerbach has the largest paper making capacity on the West Coast.

On March 1, 1954 the corporation was served with a complaint issued by the Federal Trade Commission charging the corporation with violation of Section 7 of the Clayton Act through its acquisition of 99% of the outstanding shares of St. Helens Pulp & Paper Co. The complaint alleges that the effect of the acquisition was or may be substantially to lessen competition or tend to create a monopoly in the manufacture and sale of kraft paper in the Western States and more particularly in the Pacific Coast States. Prior to acquiring the shares of St. Helens, the corporation was advised that the transaction would not violate the law. The company is confident that its position will be successfully maintained in the forthcoming proceedings on the complain before the Commission.

Quarterly dividends have bee increased to 50 cents a share, fro 45 cents paid previously. Th shares have good long-term pro pects.

Schering Corp.

Please submit earning data on Sche ing Corp., pharmaceutical manufa turer. I am particularly interested the research program of the compa as this program may give promise future prospects.

W. S., St. Petersburg, Fl

Net sales of Schering Corp. fo the three months to March 3 1954 amounted to $4,899,000, n profit was $404,000, equal to 2 cents per common share based 1,760,000 common shares ou standing. This compares with fir quarter 1953 net sales of $5,205 000, net profit $400,000, equal 23 cents per share based on th same number of common share outstanding.

Research of Schering Corp. paying off in dollar sales volum Sixty five percent of 1953 sal came from products developed i the company's laboratories an introduced during the past fi years. Research expenditures fo 1953 totaled $1,634,000.

Net sales were $19,073,000 fo the year ended December 31, 195 a gain of one percent over 195 The company has been able t maintain dollar sales volume, no withstanding drastic price reduc tions in important products an continued competitive pressures and as a consequence, net earn ings were lower than in 1952, a though the difference was slig

The 1953 report covers Sche ing's 25th year as a pharmaceut cal company and its 2nd year u der private American ownersh and management. Earnings pe share (1,760,000 shares of com mon stock) were 91 cents, as com pared to 96 cents for 1952.

Principal scientific news of th year was the discovery and deve opment of a novel method fo

(*Please turn to page* 604)

Factors in Restitution of Confiscated German Properties

(*Continued from page* 572)

llied countries, Great Britain, rance and the Netherlands in articular, would be put under ormal pressure to release Ger- an private property also. This is hat the German authorities have een demanding right along. "If ll Allied countries, impelled to ollow the example of the U.S.A., lso decided to restore the rightful wners the enemy property seized uring World War II", the London *tatist* wrote last April, "the task f determining what had to be re- urned and of paying compensa- ion for wrongful liquidation ould encounter immense difficul- es and involve heavy indemnifi- ation payments." Plainly it would e a great mess; and, as the *Statist* xplains, the United States itself as partly responsible for the urry in liquidating German as- ts in other countries:

> The United States and 17 other allied powers, under pressure from the American Government entered into the so-called Paris Reparation Agreement to liquidate all the external assets—private and public—to Germany, even assets situated in neutral countries, and to distribute the proceeds among the victorious Allies.
>
> Subsequently, the Inter-Allied Reparation Agency was set up in Brussels to create the machinery for settling disputes among the Allies about the division of the proceeds of these German external assets, earmarked for reparation. Under the operation of this agency, the U. S. A. received payments from Great Britain and other countries where German assets were liquidated. In conformity with the provisions of the War Claims Act of 1948, the Office of Alien Property has already paid into the War Claims Fund amounts aggregating $200 million out of the proceeds of liquidation of vested properties.

Apparently international law ipulated that the German Gov- nment and not the foreign coun- ies have the duty of reimburs- g German nationals for losses ffered. The German Government one of the postwar conferences ognized this duty but has done thing about it. In this connec- n, those who argue against the turn of German assets point out at the German owners of for- gn properties would often re- ive more than they are entitled , while at home the estates and nheritances expropriated by the Nazis during the war were liquidated at about one-tenth of their prewar value due to the devaluation of the German mark by more than 90 per cent in 1948.

Still another argument against the indiscriminate return of German assets is that these assets have appreciated partly as a result of inflation and partly because of tremendous improvements resulting from additional investment and American technical and scientific knowhow. For example, as was already noted, General Aniline & Film Corporation is a far cry from what it used to be at the time of vesting, both in scope of products and in size. Another large company, Schering Corporation, specializing in manufacture of hormone preparations in Bloomfield, N. J., was valued before the war at about $1.3 million but was sold for $30 million to American investors in 1952. Some two-thirds of its annual sales are in products that its American management developed in the last five years. While the company could not be returned, the Germans would receive a windfall of $30 million under the Dirksen Bill.

Discriminnation in Restitution

In summing up it may be pointed out that the United States did not seize German property indiscriminately and that the property of those who suffered under the Nazi regime has not been vested at all. Nevertheless, probably the best solution would be the restitution of the vested property if this were done with caution; certainly the property of the known Nazi Party chiefs should not be returned, but used to settle the many claims of prisoners and internees as yet unsatisfied.

The objection against returning assets that have greatly appreciated due to inflation and American knowhow might be met, as Mr. Dulles suggested in the hearings on the Bill before the Senate Judiciary Committee, by fixing the value of the assets as of the time of vesting or the time of restitution, whichever is lower. Care should be taken that those Germans who may have been compensated by their own Government are not paid twice for their property.

Speaking now from the viewpoint of the German economy, the payment to the Germans of some $400 to $500 million over the next three or four years should be a boon to the country. To begin with, the payments will to some extent offset the decline in American economic aid to Germany. This means that Germany's international payments will be kept in balance and that the return to convertibility of the D-mark will not be impeded.

Second, the restitution of German assets will provide the country with long-term investment capital which is badly needed if modernization and expansion of the German economy is to continue at the present pace. Thus we shall be helping Germany to become stronger, a real barrier to communist expansion. On the other hand, we shall also be building Germany up as a more powerful competitor to our own exports. With more long-term capital available, Germany may become even more liberal than at present in granting long-term credits to underdeveloped countries in Latin America and Southeast Asia.

One last thought. Perhaps the restitution of German assets in the United States should be tied more closely to the repayment of German external debts, which the London Debt Conference in 1952 fixed at about $4 billion, and the bulk of which represents properties destroyed or confiscated during the 12 years of the Nazi regime.

—END

The Contrasting Trends In Electrical Equipments

(*Continued from page* 576)

One of the most aggressive manufacturers of household appliances, *Philco* ranks among the leaders in production of television receivers and refrigerators. The company is regarded as one of the largest distributors of room air conditioners and is a top radio manufacturer. Radio and TV products are thought to account for about half of sales volume. Allowing for contraction in business this year, shipments may dip to about $350 million from $430.4 million in 1953 and earnings may decline moderately from last year's $3.43 a share. Continuance the $1.60 dividend would seem a reasonable prospect.

Sylvania Electric probably ranks second in the industry as a producer of radio and television tubes, which account for slightly

(*Please turn to page* 596)

The Contrasting Trends In Electrical Equipments

(*Continued from page* 595)

less than half of total sales. Radio and TV sets represent a substantial portion of shipments. Electric light bulbs and photoflash bulbs account for important volume. Sales this year may recede moderately from last year's total of $293 million and earnings may dip slightly below $3 a share, against $3.10 for 1953. Such a showing would appear to warrant continuation of dividends at the rate of 50 cents a share quarterly.

Although *McGraw Electric* has placed increasing emphasis on products serving electric transmission lines, the household appliance business has prospered. Products include transformers, capacitors, fuses and transmission equipment as well as toasters, etc. Sales registered significant gains in early months of the year and, with benefit of a lower tax liability, earnings rose 45 per cent in the March quarter. Indications point to maintenance of non-appliance sales at a favorable rate. Accordingly, earnings readily may top last year's $6.90 a share. Possibility of a larger fourth quarter dividend than last year holds out hope of distributions exceeding the 1953 total of $3.50 a share. —END

Continuing Adjustments in Farm Equipment

(*Continued from page* 579)

of farm machinery abroad are substantial, the longer-range outlook for foreign sales should be encouraging. As countries abroad develop their agricultural resources far beyond the present, something which it is very much their determination to accomplish, demand for efficient American product should develop along satisfactory lines. American manufacturers are by no means ignoring these possibilities.

While present conditions in the farm equipment industry are unsatisfactory, as compared with the peak periods of 1950 and 1951, they are by no means violently depressed and, except by this contrast, they would be considered not too bad, based on the standard of more normal years. Retail sales in the first quarter of the year, for example, were $316 million compared with $366 million in the corresponding period of 1953, a decline of no more than 15%.

In the meantime, the industry is actively engaged in improving its products and in introducing new type equipment. Demand is still keen among farmers for equipment which will help him to save wages. Equipment that can be operated by one instead of two men is in especial demand.

Sales Promotion and Lower Production Costs Sought

Most farm implement manufacturers are trying to stimulate as many sales as possible and their sales forces are working harder at this than for many years. This is true of their promotional efforts, in general. Basically, however, the manufacturers are concentrating on cutting costs. This has taken the form of eliminating all superfluous personnel in the supervisory departments as well as reducing the labor load. More automatic machinery is being installed and all marginal facilities shut down, wherever possible.

All this and many other schemes for keeping costs down is tending to hold the decline in profit margins to more reasonable proportions than could otherwise be accomplished. This is understandable when it is considered that net, after taxes, has been shrinking sharply. The six largest manufacturers — Allis Chalmers, Case, Deere, Harvester, Minneapolis-Moline and Oliver — showed a combined net after taxes in 1953 of $102 million, down from $133 million in 1952 and comparing with a post-war peak in 1950 of $161 million. On the basis of the general sales outlook for the balance of the year, it is anticipated that there will be a further decline of 15% in net earnings for 1954. It does not necessarily follow that the same rate of decline will be experienced by all the companies in this industry. Allis-Chalmers, for example, came up with an increase in the first quarter, against the general trend.

Trend in Defense Orders

Defense orders have played a large part in total sales of the farm equipment manufacturers. The incompleteness of statist prevents a comprehensive view this important trend but it noted that some large manuf turers, such as International H vester, which has been heavily volved in defense work, expe enced a decline of 30% in defe sales in the first fiscal quarter the year, ended January. In li of the general retrenchment the government's defense p gram, it is probable that simi results were experienced by oth manufacturers.

Profit Margins and Dividend

In 1953, most of the farm i plement companies showed effects of lower sales and high costs in their earnings sta ments. These varied from co pany to company, with decli in earnings of practically 100 in J. I. Case to comparativ small declines in Internatio Harvester and Myers (F. E.).

Declines in the first fiscal qu ter of 1954, ending January, centuated the falling trend, w several companies—Case and M neapolis Moline—getting into deficit side of the column. T best relative performance was Allis Chalmers and Myers, wh increased their earnings mod ately. A surprise was Glea Harvester, which sharply versed its poor earnings trend last year, with a good statem for the last quarter. This co pany is apparently having so success with its new small-t equipment recently marketed.

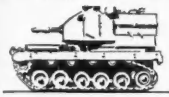
The outlook for earnings is especial importance this time cause dividend coverage has b narrowing. This raises the qu tion as to the solidity of the di dend position for some compan The Case dividend has alre been passed and the large def in Minneapolis Moline earni has commenced to throw some certainty about the maintena of present rates in this instan On the other hand, the financ condition of most companies the field is entirely sound a even in cases where earnings not warrant, finances are str enough to permit continuation existing rates for some ti ahead. Companies in the strong position on an over-all basis maintain dividend rates are: A Chalmers, Int. Harvester (decl in earnings here substanti offset by large working cap position), and Myers (F. E.)—



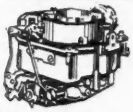
Aircraft Components



Subway and Passenger Train Cars



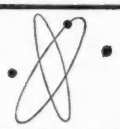
Military Equipment



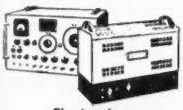
Carburetors, Fuel Pumps and Filters



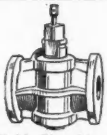
Artillery Shells



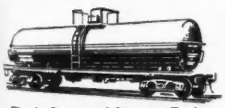
Nuclear Energy Products



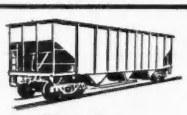
Electronics



Oil Field, Pipe Line and Industrial Valves



Tank Cars and Storage Tanks



Freight Cars

A Fine Old Company Highlights its Report **under a New Name**

When the American Car and Foundry Company was incorporated in 1899, and for many years thereafter, its name was descriptive of the company's principal activities.

Today's activities, however, extend to many other fields: aircraft, nuclear energy products, electronics, and more recently, the revolutionary new Talgo train.

Because of this forward-looking policy of expansion and diversification, it was decided to adopt a new name, one that more accurately describes the scope of present and future operations.

Thus, it is under the name of acf Industries, Incorporated, that we submit highlights of our earnings and operations during the past twelve months.

Highlights from the 55th ANNUAL REPORT
for the fiscal year ended April 30, 1954

GROSS SALES	$245,086,908
PAYROLL	60,782,521
MATERIALS	159,971,557
TAXES	12,730,222
DEPRECIATION	3,824,188
NET INCOME	7,778,420
EARNINGS PER SHARE:	
Preferred	26.87
Common	7.93
DIVIDENDS DECLARED:	
From Current Year's Earnings	
Preferred	2,826,150
Common	2,900,992
INCOME RETAINED IN BUSINESS	2,851,278

acf INDUSTRIES
INCORPORATED

30 CHURCH STREET • NEW YORK 8, N. Y.



The Revolutionary Talgo Train, Built by acf

Variations In Office Equipment Earnings

(*Continued from page* 582)

Underwood, profit margins were hit sharply since the end of 1952 by the depletion of order backlogs. Those backlogs were created by the outbreak of the War in Korea and the fear of shortages of equipment. Remington's profits have been sustained since 1952 by its excellent diversification.

Now that typewriter sales and profits are improving somewhat, the typewriter group should give a better account of itself. Business men who have deferred purchases of typewriters to reduce investments will be more willing to replace obsolete equipment.

Engineering problems in connection with complex electronic computers have been solved, to a great extent. The big problem has been one of finding a mass market for a particular type of equipment among the large number of moderate-sized employers. Thus far, IBM has been more successful than any of its competitors in introducing equipment that quickly achieved a mass market, particularly among the larger corporations. IBM's new triple unit computer, (Type 607), capable of performing and checking as many as 14,000 computing operations a minute, can handle most business calculations such as payroll work in one swift operation, where several machine operations have previously been required. This is particularly attractive to companies with thousands of employees.

Each of the office machines companies faces heavy research, advertising and sales costs over the next few years, in connection with the introduction of new types of mechanized or electronic equipment. The earnings curve therefore may not quickly reflect the heavy investments that are being made in research. Yet competitive factors are forcing heavy expenditures in new product development. Companies which are not successful with their research may find that they will be unable to make a profit on some of the developments which they bring to market.

The most hopeful aspect for the near term is the close correlation between payrolls and sales of office equipment. The office equipment business is cyclical. If business activity and employment recovers this fall, equipment sales should improve.

The rise in wages this year, as reflected in recent wage settlements will have a stimulating influence on office equipment sales for employers will seek to control rising office labor costs. Liberalized depreciation for tax purposes, if approved by Congress, should also stimulate equipment sales.

Since World War I, the office equipment industry has grown from an annual volume of $100 million to nearly $2 billion. Defense volume has contributed to this total, but the chief gains have been in new lines.

Major Customers for Electronic Equipment

Utility companies are already saving large sums on electronic computers, for quickly billing customers. Auto and steel companies are effecting large savings in figuring big payrolls with similar machines.

Integrated data processing is being used by U.S. Steel to collect, interpret and transmit payroll and other information from plants to executive offices. Automatic computing machines speak a "common language" through a five channel perforated tape, which links together automatic typewriters, cash registers, calculators and bookkeeping machines.

As yet, however, such a development is not for the average employer. Smaller, less expensive, more flexible machines will have yet to be developed to capitalize fully on the mass market. —END

What's Going On in the Rail Equipments?

(*Continued from page* 584)

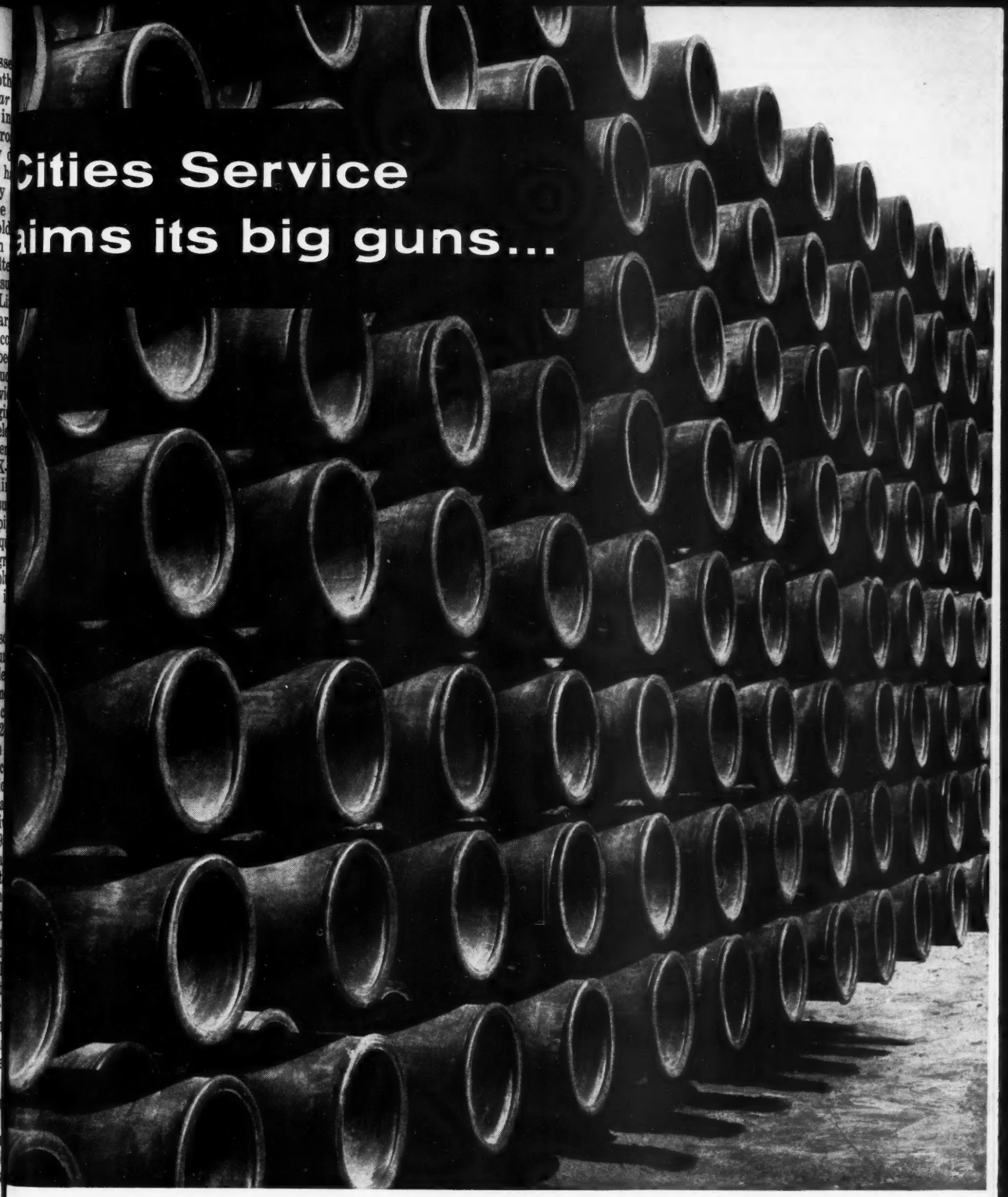
operations, however, did not get off to such an auspicious start. Net sales of $20.1 million were down by $6.8 million from a year ago and the three months' earnings for the common stock equaled seven cents a share. This compares with 68 cents a share earned in the like 1953 quarter. Pressed Steel Car is no longer a member of the rail equipment group but we have included it in the accompanying table for comparative purposes.

Although it continues to hold a dominant place in rail equipment field as a builder of passe ger and freight cars and oth *rail equipment, American Car Foundry's* diversification in other lines has become so bro that officials of the company d cided the old title no longer h any meaning and as recently last April changed the name *ACF Industries.* Added to its old lines such as the production Carter carburetors and fuel filte and pumps the business of its su sidiary, the Shippers' Car Li Corp., owning and leasing a lar fleet of principally tank and co ered hopper bottom cars, has be the new Nuclear Energy Produc Division, acquisition of the Avi Instrument Corp., the bringi into existence the new ACF el tronics division, and more recen ly the purchase of the W-K- Manufacturing Co., a leadi manufacturer of high-pressu steel valves for oil field and pi line equipment. This latter acq sition rounds out to some degr ACF production of lubricated pl valves used in many types of i dustries.

Net profits of ACF for the fis year ended April 30, 1954, amou ing to $7.7 million, the equivale of $7.93 a share for the comm stock. This was achieved on c rentals and net sales totaling $2 million as against $257 million the previous year which produc net of more than $8.6 milli equal to $9.18 a share, after a justment for the 10% stock di dend paid last August. The 19 fiscal year showing might ha been better were it not for t emergency demand to step-up sh production under an ordnan contract, resulting in raising co which may or may not be co sidered by the Government. A unsettled labor conditions in t Carter Carbueretor plant for considerable length of time r sulted in curtailed production a higher than normal operating e penses.

Disposal of surplus plants l year completed the program liquidating obsolete and in so instances burdensome properti Benefits derived from these mo should become more apparent should also the advantages to a crue from the current plant r habilitation and modernizati program to cost about $7 milli Funds to meet these expenditu would come in part from depre tion, 1954 fiscal earnings, a

(*Please turn to page* 600)



Acres of casing are mobilized in readiness at a well site. Last year an average of 1⅓ producing wells were drilled every day by

CITIES SERVICE

A Growth Company

What's Going On In Rail Equipments?

(*Continued from page* 598)

amounts to be received under defense facility contracts. The company entered its current fiscal year with a backlog of approximately $118 million of which about $63 million consisted of defense work which is in contrast to Government orders amounting to $183 million a year ago, indicating that fiscal 1953-54 deliveries of defense work accounted for the biggest part of dollar volume of sales. Increasing interest by some of the railroads in the "Talgo" train points to the possibility that it will not be long before a substantial volume of orders for this type of passenger train will go on the books. One road has already placed an order for a "Talgo" and the company states other carriers are actively negotiating with it. ACF continues to maintain strong finances and while it is too early to attempt any forecast of current year's earnings net should be more than ample to assure maintenance of the current dividend rate.

The course pursued by ACF in diversifying is paralled more or less by many other companies in the rail equipment industry. *American Locomotive* by reason of its accomplishments along these lines is no longer a specialty company manufacturing only locomotives. Last year sales of diesels totaled $98.9 million which was closely matched by dollar volume of sales of other products amounting to $85 million for a gain of 44 per cent over the level of similar business in 1952. Of course, the big contributor to total 1953 sales of $440.7 million was $256.5 million worth of combat tanks for the Government. With the aid of this work during the year, net earnings of $7.4 million, equal to $3.40 a share for the common stock, represented the highest income from operations in 28 years, notwithstanding the fact that Federal EPT took over $4.2 million, or about $2.36 a common share, out of earnings. The tank contract was scheduled to be completed by the close of the 1954 second quarter. Meanwhile, it continued to contribute to sales volume which for the three months ended last March 31, reached $84.9 million, 62.7% greater than 1953 first quarter sales of $52.2 million, although in making the comparison consideration must be given to the 1953 first quarter labor disturbance that cut production and held net income to three cents a share for the common stock whereas net for the 1954 first quarter amounted to 64 cents a share. Prospects are that second quarter sales and net will approximate the preceding three months, but with tank contracts completed and indications that locomotive business will be at a lower level the outlook for the remaining half-year is somewhat obscure.

We have included in the accompanying compilation of statistical data a total of 16 companies normally considered to be in the rail equipment field. Naturally, space does not permit making detail comment on every one of them. What we have written covering the general situation in the industry should be weighed in appraising any one of the companies in the list. Considerable importance should be to the degree of diversification which any of the companies has achieved in converting from a specialty company wholly dependent upon the f tunes of the equipment indus to a more diversified operator. cluded in the group are *Gene American Transportation Co* and *Union Tank Car Co.* Beca of the activities of these two co panies in building and servic freight and tank cars for the selves or others they are usua included in the rail equipme group. These companies have oth ramifications, one of the more i portant being the leasing of ca while General Transportation also a manufacturer of plast and equipment for the food, che ical and many other industri Attention is directed to the co pilation with its pertinent da comments on earnings and di dend outlook, and the ratin which we have given to each iss —E



what are the products of

CLARK EQUIPMENT

Where are those products used and where are they built? Insight into these factors that create a reputation is the purpose of this new pocket size, 36 page book . . . a copy is yours, upon written request to

CLARK EQUIPMENT COMPANY
BUCHANAN, MICHIGAN

OTHER PLANTS: BENTON HARBOR • BATTLE CREEK and JACKSON, MICHIGAN

Products of CLARK EQUIPMENT . . . TRANSMISSIONS • AXLES (Front and Rear) • AXLE HOUSINGS • TRACTOR UNITS • FORK TRUCKS AND TOWING TRACTORS • ROSS CARRIERS • POWRWORKER HAND TRUCKS • POWER SHOVELS • ELECTRIC STEEL CASTINGS • GEARS AND FORGINGS

What 2nd Quarter Earnin Reveal

(*Continued from page* 567)

packaging field as well as exp sion in basic products, the co pany should be able to exceed $4.29 a share it showed in 19 The dividend has just been creased to 75 cents quarterly.

CONTAINER CORP. AMERICA. Although sales in first six months eased off mod ately, or by 2.2%, net earni rose sharply. Net earnings we $8.1 million, after providing $ million for taxes. Earnings we equivalent to $3.18 a share (a justed for the 25% stock di dend). In the correspondi period of 1953, net earnings we $4.9 million, or, $1.90 a sha after taxes of about $9 milli In the June quarter, net earni were $3.8 million, of $1.51 share, compared with $2.4 m lion, or 96 cents a share in same period last year. Sales we moderately lower for the half in the second quarter were proximately $47 million or same as the 1953 quarter. large gain in net earnings agai a background of relatively changed sales may be attribut partly, to accrual through the sence of the excess profits t which amounted to $1.68 a sh in 1953. It is obvious that first half earnings this year be fited proportionately. This m

(*Please turn to page* 602)

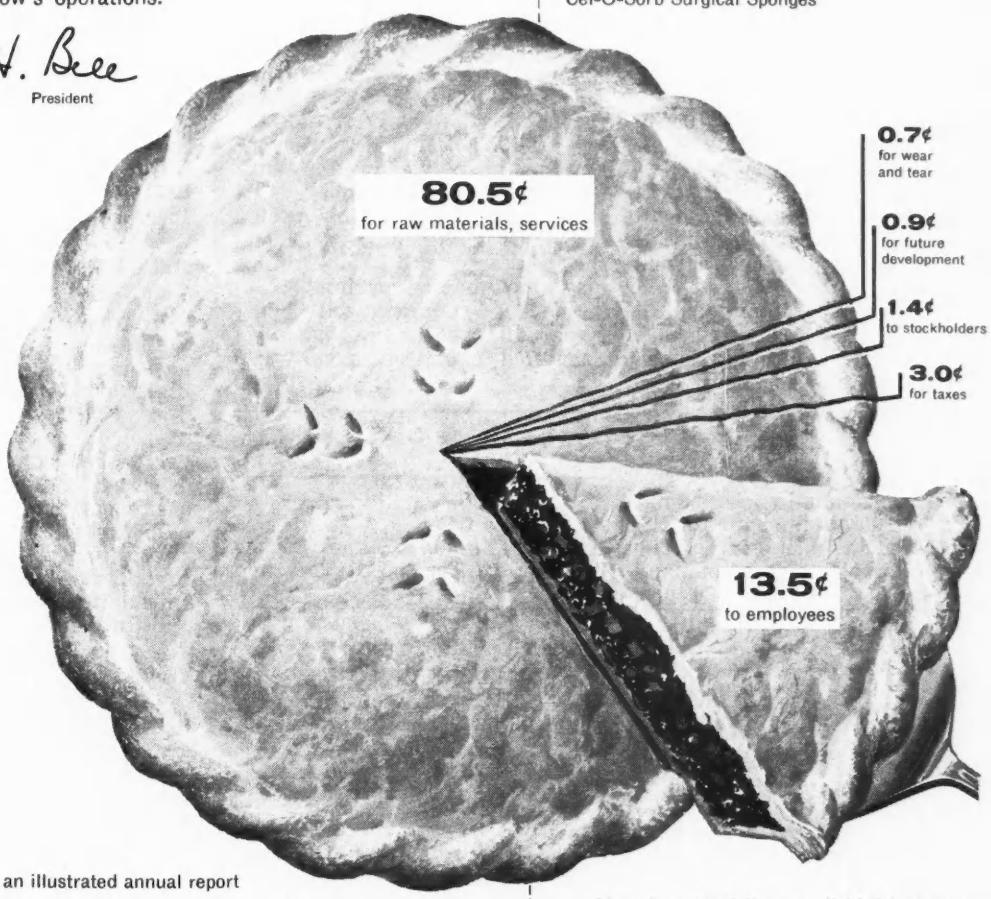
General Mills' 26th year of steady growth

"General Mills has a rich history of service to the public. But we cannot and will not rest upon our past record. The future is our frontier.

"Through research, we are creating the new products and processes upon which progress and employment depend. Through financial planning, we are laying the groundwork for future growth. Through a planned personnel program, we are developing a sound management team for tomorrow's operations."

C. H. Bell
President

YEAR ENDING MAY 31	1954	1953
Total sales	$487,587,179	$483,067,177
Earnings	11,188,853	11,468,171
Dividends	6,709,116	6,626,342
Earnings reinvested	4,479,737	4,841,829
Stockholders' equities	120,646,000	116,160,000
Expansion	New food processing plant in Toronto, Canada	
New Products	Betty Crocker Angel Food Cake Mix Sugar Jets New livestock and poultry feeds New chemical products Cel-O-Sorb Surgical Sponges	



How the sales dollar was divided last year.

For an illustrated annual report of General Mills' last fiscal year, write Public Relations Department,

General Mills
Minneapolis 1, Minnesota.

What 2nd Quarter Earnings Reveal

(*Continued from page* 600)

have made a difference of as much as 80 cents a share for the half. It would also appear that the company has been enabled to raise its profit margin on the same amount of sales through improving efficiency of operations. With tentative signs now appearing that the demand for paperboard may ease slightly, sales may dip in the final half. The company, however, should be able to earn not far from $6 a share this year. Last year, it earned $3.94 a share on an adjusted basis.

E. I. du PONT de NEMOURS & CO. Earnings for the first six months of 1954 rose 33%, as compared with the corresponding period last year. On a per share basis, they amounted to $3.22 contrasting with the $2.51 earned in the same period of 1953. For the June quarter, earnings were $1.66 a share compared with $1.56 a share in the March quarter and $1.22 a share in the March quarter of 1953. These earnings results were accomplished despite an 8% decline in sales. A break-down of the company's statement indicates that of the $3.22 earned a share earned in the first half of 1954, $2.41 a share was derived from chemical operations and 81 cents a share from General Motors dividends. The third quarter is expected to register a decline owing to the usual lull which is typical of the vacation period, used by many companies not only to give employees their annual vacations but also to get plants in shape for the normal rise in fall business. The general outlook for the company remains impressive and, based on the first six months' results and general business prospects for the balance of the year, it is probable that the company will earn in the neighborhood of $6 a share in 1954, compared with $4.97 a share in 1953. To a very large extent, the increase in earnings in the face of a sales decline is due to the expiration of the excess profits tax which in 1953 cost the company $117 million, equivalent to $2.35 a share on the 45.4 million shares of common stock.

PENN-DIXIE CEMENT CORP. An increase in sales in the second quarter of 1954 to $9.3 million, compared with $7.6 million the corresponding period of 1953, combined with the savings in excess profits taxes, amounting last year to $850,000, lifted earnings in this period to $2.18 a share against $1.67 a share in the June 1953 quarter. The company's EPT last year amounted to approximately $1.15 a share. It can be seen that the proportionate savings this year thus far have had a considerable effect. For the half, the company came through with $2.76 a share against $2.33 a share for the first half of 1953. Demand for cement has remained strong and the outlook is for continuation of this trend for a considerable period ahead. On this basis, it is likely that the company's 1954 earnings may amount to as much as $5.75-$6 a share, compared with $5.57 a share in 1953. In 1952, earnings amounted to $4.44 a share. —END

For Profit & Income

(*Continued from page* 587)

Roebuck; Standard Oil of California, Jersey, Texas Company and Union Carbide – all with earning power far above that of 192 Those now widely under the 1929 highs are American Tele phone (which does not belong i a so-called industrial stock aver age anyway), American Tobacco Corn Products, International Harvester, International Nickel Loew's, U. S. Steel and Woo worth. Most 1929 valuation were, of course, silly. If the high est 1929 price-earnings ratio wer applied to indicated 1954 earn ings, General Electric, now around 45, would sell over 100 duPont, now 137, would get abov 200; Eastman Kodak, now 6 would be over 105; Genera Motors, now 80, would be aroun 120; and Standard Oil (New Jer sey), now 87, would be aroun 153.

Speculations

In general, despite exception any further market rise is likel to result in larger percentag gains for medium and lower priced secondary stocks from thi point than for higher-priced in stitutional-grade growth or in come stocks. Some selections: Na tional Gypsum, Republic Avia tion, National Distillers, Armc Steel, Blockson Chemical, El Pas Natural Gas, Gulf, Mobile & Ohio Eastern Air Lines and Genera Tire.

Stock Dividends

Stock dividends will be fewe and smaller because corporat capital needs and earnings ar now more normal than in recen years, and because, under presen Stock Exchange policy, cash pay ments, plus per-share marke value of a stock dividend whe declared, must not exceed annua earnings. Companies which ar likely to go paying worth-whil stock dividends include Eastma Kodak, Sun Oil, Rohm & Haa International Business Machine and Ruberoid.

Yields

Yields of 6% can no longer b had on income stocks of to grade. If you demand that mu return, or more, you have to com promise on quality, or go to cy lical-industry stocks. Examples high-yield, medium-grade stock are Reynolds Tobacco "B" 6.6% United Fruit, 6%; Phelps Dodg 7.5%; Allied Stores 6.4%; an Seaboard Air Lin enearly 6.8% —EN

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock, payable September 7, 1954, to stockholders of record at the close of business August 13, 1954.

ERLE G. CHRISTIAN, *Secretary*

Can Ford Finance Gigantic Expansion?

(*Continued from page* 565)

owever, would undoubtedly in-olve many problems, but they ould probably not be insur-ountable.

Some Interesting Financial Facts

Of particular interest to the ublic is: at what price would, ay, Ford common stock be of-ered? Right now, there is no nswer. It is not likely that any tock would be offered represent-ng the present capitalization and t is impossible to calculate what hat stock, particularly the Class "A" voting shares, is worth. When Henry Ford, Sr., died, the Gov-rnment, for tax purposes ap-raised his holdings at $135 a hare, and later, in 1952, when is widow passed away, her hold-ngs were appraised at $200 a hare. Moreover, the Ford com-any has never issued an earn-ngs statement. The only peek the ublic has ever had into its fi-ances has been the "stripped to he bone" balance sheet filed with he State of Massachusetts each ear. The most recent statement s that dated December 31, 1952, howing capital, surplus, and re-erses totaling $1,3705 million. his compares with $1,297 mil-ion at the end of the previous ear, indicating a net gain of $72 illion, or $20.97 a share. The atch, however, is there is no way f knowing how much was paid ut in dividends in 1952. The mount may have far exceeded he 1951 distribution. In that year he company showed a gain in apital, reserves and surplus of 103 million, the equivalent of $30 share.

In any event, it is not believed ord officials will move hastily in hatever plans might be under onsideration. Meanwhile, invest-rs who would like to include ome Ford stock in their port-olios will have to exercise pa-ience, and others will have to ate their curiosity with conjec-ure. Still, the company and its anagement have been moving orward in new directions. It ould not be surprising if this ook the form, among other things, f making Ford stock available to he public. —END



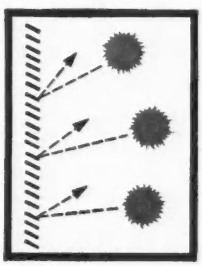
Most efficient of all shading devices, Borg-Warner KoolShade Sun Screen is now available for use with equally famous Truscon Double-Hung Steel Windows.

Now—homes, schools, hospitals and other institutions, commercial and industrial buildings equipped with Truscon Double-Hung Steel Windows can have all the added benefits of KoolShade.

A bronze wire miniature outside venetian blind, KoolShade blocks up to 90% of the sun's heat rays. Lets in light and air, shuts out heat and glare. Alone keeps rooms as much as 15° cooler, and with air conditioning, greatly reduces the load on the system, thus cuts cost. Provides complete visibility, controls glare, keeps out insects.

Developed and produced by Borg-Warner's Ingersoll Products Division, KoolShade Sun Screen is a striking example of how—

B-W ***engineering makes it work***
B-W ***production makes it available***



Cross section of KoolShade showing how it blocks sun's heat rays at various elevations.

ENGINEERING B-W PRODUCTION

Almost every American benefits every day from the 185 products made by

BORG-WARNER

THESE UNITS FORM BORG-WARNER, *Executive Offices, Chicago:* ATKINS SAW • BORG & BECK BORG-WARNER INTERNATIONAL • BORG-WARNER SERVICE PARTS • CALUMET STEEL • CLEVELAND COMMUTATOR • DETROIT GEAR • FRANKLIN STEEL • HYDRALINE PRODUCTS • INGERSOLL PRODUCTS INGERSOLL STEEL • LONG MANUFACTURING • LONG MANUFACTURING CO., LTD. • MARBON MARVEL-SCHEBLER PRODUCTS • MECHANICS UNIVERSAL JOINT • MORSE CHAIN • MORSE CHAIN CO., LTD. • NORGE • PESCO PRODUCTS • REFLECTAL • ROCKFORD CLUTCH • SPRING DIVISION WARNER AUTOMOTIVE PARTS • WARNER GEAR • WARNER GEAR CO., LTD. • WOOSTER DIVISION

Dennison

MANUFACTURING COMPANY

Framingham, Mass.

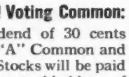
DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Sept. 3, 1954, to stockholders of record Aug. 9, 1954.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Sept. 3, 1954, to stockholders of record Aug. 9, 1954.

R. N. Wallis, *Treasurer*

110TH YEAR



Delta Air Lines, Inc. now operating as

Delta-C&S

CASH DIVIDEND No. 28

The Board of Directors of Delta Air Lines, Inc. has declared a quarterly dividend of 30c per share on the capital stock of the company, payable September 6 to stockholders of record at the close of business on August 20.

Delta Air Lines, Inc.

General Offices: Atlanta, Ga.

PHELPS DODGE CORPORATION

The Board of Directors has declared a third-quarter dividend of Sixty-five Cents (65¢) per share on the capital stock of this Corporation, payable September 10, 1954 to stockholders of record August 17, 1954.

M. W. URQUHART,
Treasurer.

July 29, 1954

IN THE NEXT ISSUE

• PART 4 •

Mid-Year Dividend Forecast

— Building —

Machinery & Machine Tools

— Unclassified Stocks —

Answers to Inquiries

(*Continued from page* 594)

manufacturing hydrocortisone which has made it possible for the company to schedule early introduction of various hydrocortisone products.

Marketed in 1953 were such diverse new products as Teridax, a new contrast medium for X-ray visualization of the gallbladder; Chlor-Trimeton Injection for use in prevention or treatment of penicillin reactions, and, Cortomyd, a solution for treatment of eye injuries and infections with combinations of sodium sufacetamide and cortisone.

The company feels confident that its laboratories will produce, in the days ahead, new products which will serve the interest of public health and also aid earnings of the company.

Dividends in 1953 totaled 50 cents per share and 25 cents was paid early in the current year.

Murray Corp. of America

Please send me at your earliest convenience a report on Murray Corp. of America with emphasis on principal products produced, recent earnings and the outlook over coming months.

R. L., Scranton, Pa.

Murray Corp. of America reported net income for the nine months ended May 31, 1954 at $3,601,895 or $3.48 a share compared with $2,233,359 or $2.13 a share for the like period of the prior year.

Sales for the nine-month period amounted to $85,364,055 compared with $75,154,640 for the nine months ended May 31, 1953. Income before taxes for the recent nine-month period was $7,427,095 compared with $4,546,620 last year.

The nine-months report included the operations of Eljer Co., a subsidiary, which was purchased in August, 1953.

Sales for the fiscal year ended August 31, 1953 increased to $108,922,348 from $81,335,795 in 1952. This is a percentage increase of just slightly under 34%. Earnings, before all direct taxes, were $10,501,005, as compared with $8,489,379 for the preceding year. After providing for property, payroll and miscellaneous taxes of $2,642,779 and for Federal taxes on income of $3,800,000, net earnings were $4,054,449, with a corresponding amount f fiscal 1952 being $4,032,127.

Operations for the year we influenced by several importa circumstances, some favorab and some unfavorable. Sales vo ume, for the third time in th history of the company, exceede $100,000,000 indicating the co tinued acceptance of product The continued high level of pr duction of automobiles during th year and the attainment of high schedules in the defense progra of the Government were prim factors contributing to the high sales volume.

Profits, however, did not kee pace with sales volume due to i creased production costs for whi compensating increases in sellin prices were not attainable. Th items contributing to a diminis ing profit margin included, amon others, a continuation of the tren to higher wage rates and the su stantial additional cost arisin from the expanded benefits unde the pension program, as estab lished by the general industr pattern.

Starting load costs of a ne body account were absorbed du ing the year and the scarcity the company's steel prevent Murray from achieving norm anticipated sales during the ear months of the year.

Dividends in 1953 totaled $2. per share and 50 cents quarter has been paid thus far in th current year.

The broadened activities of th company indicate that operation should be satisfactory over co ing months. —EN

A Correction

In our July 24 issue, in the tab lation of tobacco companies, th indicated 1954 dividend for Re nolds Tobacco "B" stock was i correctly given as $1.60 a shar as a result of a typographic error. This should have bee stated as $2.40 a share, as bas on the 60-cent quarterly dividen Since publication of the article the tobacco industry, Reynol has released its six-months stat ment. This shows a sharp increa in earnings to $1.99 a share, co pared with $1.48 a share in th corresponding period of last yea On the basis of similar earnin for the final half of the year, th company would earn its $2.40 di dend by the ample margin nearly 70%.

Profit By Our Two New Selections . . . For Substantial Income and Dynamic Growth

The three recent Forecast recommendations mentioned in our previous ad have already gained 13½ points . . . *but you NOW have the opportunity to share in two highly promising new selections—just being released.* They combine sound management, high dividends (amply covered by current earnings),—PLUS excellent profit prospects for 1954-55.

1. **A Dynamic Growth Stock paying over 6.8%—of a well diversified company—a prime beneficiary of the dual war-peace future of the atom.**
2. **A Special Situation for Profit Building plus a 7% Yield—where an unusual development is adding enhanced growth potentials.**

42 POINTS PROFIT ON BOEING AIRPLANE

In December, all subscribers were advised to buy Boeing Airplane — at 46 — before the 2-for-1 split was proposed. This stock has already advanced 42 points — so even a 25-share purchase quickly showed profits of more than 10 times our entire annual fee.

A FULLY ROUNDED INVESTMENT SERVICE

You will find that THE FORECAST tells you not only WHAT and WHEN to buy — and WHEN to take profits . . . but it also keeps you informed of what is going on in the companies whose shares are recommended in our Bulletins. Each security you buy on this advice is continuously supervised so you are never left in doubt as to your position.

At individual bargain levels we will round out our three diversified investment programs with other new recommendations—including medium and low priced stocks—which should be among coming market leaders . . . as investment demand rotates to the stock groups where new developments are likely to spur sharp advances:

***PROGRAM ONE* . . . Stressing Security of Principal — Assured Income of 5½ to 8% — With Appreciation.**

***PROGRAM TWO* . . . Dynamic Securities for Capital Building with Higher Dividend Potentials.**

***PROGRAM THREE* . . . Low-Priced Stocks for Large Percentage Growth — Where a maximum number of shares may be purchased with limited capital.**

You will receive our weekly Bulletins keeping you a step ahead of the crowd in relation to the securities markets, the action of the various stock groups, the outlook for business, under new government policies . . . as well as interpretation of the Dow Theory and our famous Supply—Demand Barometer.

STRENGTHEN YOUR ACCOUNT — BE SURE TO GET OUR NEW ADVICES

Enroll now and buy our 2 new recommendations before they score sharp advances.

Send a list of your present holdings, twelve at a time, so we can analyze them promptly for you...telling you what should be retained and which you should sell. Using the funds released through sale of weaker issues, plus your cash reserves—you can share in our 3 new opportunities which we will point out to you.

The coupon below entitles you to an added month of service if you ENROLL NOW.

SPECIAL OFFER—Includes one month extra FREE SERVICE

Mail Coupon Today

Special Offer

6 MONTHS' SERVICE **$60**

12 MONTHS' SERVICE **$100**

Complete service will start at once but date as officially beginning one month from the day your check is received. Subscriptions to The Forecast are deductible for tax purposes.

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

I enclose ☐ $60 for 6 months' subscription: ☐ $100 for a year's subscription.
(Service to start at once but date as officially beginning one month from the day you receive my payment.)

SPECIAL MAIL SERVICE ON BULLETINS

Air Mail: ☐ $1.00 six months: ☐ $2.00 one year in U. S. and Canada.
Special Delivery: ☐ $5.20 six months ☐ $10.40 one year.

☐ Telegraph me collect in anticipation of important market turning points...When to buy and when to sell...when to expand or contract my position.

Name.....

Address.....

City.....State.....

Your subscription shall not be assigned at any time without your consent.

List up to 12 of your securities for our initial analytical and advisory report.

BENEFICIAL
LOAN CORPORATION
DIVIDEND NOTICE

Dividend has been declared by the Board of Directors, as follows:

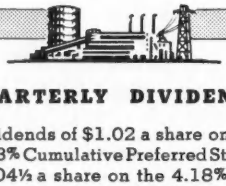
COMMON STOCK
Quarterly Dividend of $.60 per share

The dividend is payable September 30, 1954 to stockholders of record at close of business September 15, 1954.

William E. Thompson
July 14, 1954 *Secretary*

OVER 800 OFFICES — Beneficial Loan SYSTEM — IN U. S. AND CANADA

Public Service Electric and Gas Company
NEWARK, N. J.



QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.04½ a share on the 4.18% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending September 30, 1954, all payable on or before September 30, 1954 to holders of record at the close of business on August 31, 1954.

LYLE MCDONALD
Chairman of the Board

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

UNION CARBIDE
AND CARBON CORPORATION
UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable Sept. 1, 1954 to stockholders of record at the close of business Aug. 6, 1954.

KENNETH H. HANNAN,
Vice-President and Secretary

How to Meet the $25 Billion Production Rise Needed

(*Continued from page* 601)

British cousins' output of planes for war. In this area alone we probably can put $700 million into our economic blood stream – we can produce the aircraft here, and we should do so to assure their combat effectiveness.

In the foreign field, we are confronted with the possibility that two of our European allies – France and Italy–will not ratify the European Defense Community (EDC) pact. If this becomes a reality, then we will be faced with the only alternative – complete rearmament of Western Germany. German industry, especially that of the West, has made a remarkable "came back" since the end of World War II, but if that country is to be rearmed, then in all fairness to our own economy and to give us the assurance that the re-armament–planes, tanks, guns, etc.–are of a quality to resist Red assault, this materiel should be of our manufacture. What re-armament of Germany will cost is anyone's guess, but certainly it would run to $2 billion a year and for some years to come.

Still in the field of foreign aid, we turn to economic assistance to the other countries. In fiscal 1954, ended June 30, the Foreign Operation Administration, headed by Harold Stassen, spent a round $2.2 billion, $660 million of which was spent in so-called off-shore purchases ranging from aspirin tablets to tractors. Leafing through a 40-inch stack of records of these purchases, the writer found at least $550 million in purchases of heavy items which this country could very well produce – trucks, tractors, earth moving equipment, generators, locomotives, railway cars. Other nations underbid us on this material by as much as 30 percent. But, as they got the orders, American firms who didn't get the orders laid off employees by the thousands, thus shrinking our own economy and adding uncounted millions of dollars to our cost of economic survival. Those thousands of employees laid off immediately started drawing unemployment compensation until such time as they could be relocated. The subject is perhaps worthy of separate treatment, but the writer is convinced that in nine cases out of ten, the difference between a low foreign bid on economic aid items *does not equal the unemployment compensation cost we must bear because we did not "buy American."*

More Economic Realism Needed

The situation was sharply pointed up recently when Representative Herbert W. Warburton (Delaware Republican) addressed the National Republican Club in New York City. Contrasting Canadian and U. S. Foreign aid, Warburton said that our Northern neighbor, who recently gave 26 locomotives to India, "first made sure that its locomotive industry got the work" before India got the locomotives, in competition with bids from other countries. India, he continued, has the locomotives, free, while Canada still has employment in her locomotive industry. The donor can protect its own industries and the recipient can get full benefit, Warburton added. Warburton described himself as "an economic realist." And that, if the reader will permit the reporter to editorialize, is what we need more of in our Foreign Aid program – *economic realism.* Foreign Aid should be a two-way street–if we are going to help others, let's help ourselves as well. Give the unfortunates the tools of reconstruction, but let's make the tools ourselves lest we find ourselves with a staggering army drawing unemployment compensation.

Next, but not necessarily in orderly sequence, we have the stock-piling program of the Office of Defense Management. Armed with authority to borrow $2.1 billion from the Treasury, ODM is prepared to spend that sum to bolster the nation's defense through purchase of a myriad of strategic minerals, machine tools and what have you. Like the Pentagon, ODM is on the secretive side. It will not and does not tell just what it intends to buy, or where it intends to buy it–whether in this country or abroad. However, from one top-flight ODM official this writer wangled the following, which is correctly quoted:

"We expect to spend most of the $2.1 billion in the next 12 months, and at least 92 percent will be spent for materials and products of United States manu-

facturers and miners."

With that quote, the writer leaves the reader and moves on to other facets of the picture — some bright, some dull.

Let's take the dull first. It may make the bright brighter. Economists of the labor movement tell us that the annual increase in the labor force amounts to 900 thousand a year, but they do not add that death and retirements cut the net figure to around 600 thousand, maybe less. They say that "automation" tosses another 5 million workers into the discard, but they fail to add that every labor-saving device in the history of the world, and "automation" means nothing more than labor-saving, *has put more people on the payroll than it has ever removed*. The writer would point only to the linotype machine—at the outset, it displaced thousands of typesetters but it so reduced the cost of the printed word that today there is an absolute dearth of printers. Ask the publisher of this magazine, or the publisher of your favorite daily.

On a brighter side, Congress has now hiked Social Security benefits by approximately $700 million a year. The writer would not go into the actuarial impossibilities of our Social Security but he points up that the $700 million increase will flow into the national economy within the next 12 months or so.

An End to Inventory Liquidation?

Next is the inventory situation. For about nine months, inventories have been on the decline, but in the past 60 days they have been moving upward. Not rapidly, to be sure, but the move is definitely positive. We find that in a single month general store inventories advanced $100 million — a healthy sign, for general stores sell everything from a paper of pins to heavy-duty tractors. Other inventories lag a bit. Overall, the inventory level is just at $80 billion, but a $3 billion boost is coming during the next 12 months lest we have acute shortages in essential lines. Retailers, jobbers and manufacturers know it, and most of them are "doing the necessary" while a small percentage hangs back and asks, "Can we afford it?" The answer is "yes" but each individual must determine for himself — he may find the answer negative, and he might later find himself with plenty of market, but insufficient merchandise.

Thus far the writer has dealt with specific aids to the overall economy, trying to measure their dollar potentials. Other means are on the horizon, but we will have to exert ourselves. We must not "wait and see if we can afford it;" rather, we must understand that we cannot afford to "wait and see." Congress is liberalizing the Atomic Energy Act, opening new vistas for industry. Laboratories across the land are making new chemical discoveries daily.

Elsewhere in our domestic scene we see springing up hundreds of new community centers, often referred to as shopping centers. These marts where the housewife can find everything she needs, and yet avoid the strain and worry of city traffic are stimulating purchasing. The growth of community centers has moved at such a pace that one cannot find accurate statistics on the volume of new business they have generated, but the writer knows one large retailer who asserts that he sells five times the dollar volume per square foot in his 9,000 square feet of space in one of these centers than is sold in his mid-city main store.

In summary, there are so many areas in which we can expand our economy that recapitulation of them here would be difficult. The writer, in his search for the needed $25 billion, doubtless has missed potential sources not mentioned here, but he feels that he has found at least a goodly part.

Before closing, some mention should be made of trade with our neighbors to the South. The Latin-American countries are making fair economic progress, but we are not doing the things to cultivate and stimulate those markets. Frankly, we have neglected the countries in our efforts to rehabilitate the economies of the Old World. And, as we helped the countries of the Old World, two things have happened that are not for our economic well-being; our Latin neighbors have shown their resentment by purchasing from the European nations we have helped rebuild, and the European nations have invaded Latin American markets with prices we find it almost impossible to compete with. This particular situation is an unhappy one and deserving of remedial steps by our Diplomats, the Congress and business itself.

—END

TEXACO

THE TEXAS COMPANY

208th

Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on September 10, 1954, to stockholders of record at the close of business on August 6, 1954.

The stock transfer books will remain open.

ROBERT FISHER
Treasurer

July 23, 1954

CROWN CORK & SEAL COMPANY, INC.

CROWN

PREFERRED DIVIDEND

The Board of Directors has this day declared the Regular Quarterly Dividend of fifty cents (50¢) per share on the $2.00 Cumulative Preferred Stock of Crown Cork & Seal Company, Inc., payable September 15, 1954, to stockholders of record at the close of business August 17, 1954.

The transfer books will not be closed.

COMMON DIVIDEND

The Board of Directors has this day declared a Dividend of fifteen cents (15¢) per share on the Common Stock of Crown Cork & Seal Company, Inc., payable August 27, 1954, to stockholders of record at the close of business August 3, 1954.

The transfer books will not be closed.

WALTER L. MCMANUS, *Secretary*

July 22, 1954

SUNRAY NATURAL POWER OILS

DIVIDEND NOTICE

The directors, on July 12, declared a regular quarterly dividend (No. 59) of thirty (30) cents per share on the Common Stock, payable on Sept. 20 to shareholders of record Aug. 6. The quarterly dividend (No. 75) on the 4¼ per cent cumulative preferred stock, series A, will be paid at the rate of 26 9/16 cents per share on Oct. 1 to shareholders of record Sept. 10 and the regular quarterly dividend (No. 17) on the second preferred stock, amounting to 27½ cents per share, will be paid on Sept. 1 to shareholders of record Aug. 6.

W. D. FORSTER, Secretary

SUNRAY OIL CORPORATION
TULSA, OKLAHOMA

AMERICAN & FOREIGN POWER COMPANY INC.

Two Rector Street, New York 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held July 23, 1954, declared a dividend of 15¢ per share on the Common Stock for payment September 10, 1954, to the stockholders of record August 10, 1954.

H. W. BALGOOYEN,
Vice President and Secretary

July 23, 1954

COLUMBIAN CARBON COMPANY

One-Hundred and Thirty-First Consecutive Quarterly Dividend

A quarterly dividend of 50 cents per share on the Capital Stock of the Company will be paid September 10, 1954 to stockholders of record at the close of business August 16, 1954.

LYLE L. SHEPARD
Vice-President & Treasurer

CONTINENTAL CAN COMPANY, Inc.

A regular quarterly dividend of seventy-five cents (75¢) per share on the common stock of this Company has been declared payable September 15, 1954, to stockholders of record at the close of business August 25, 1954.

LOREN R. DODSON, *Secretary.*

NATIONAL DISTILLERS

PRODUCTS CORPORATION

NATIONAL DISTILLERS

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on September 1, 1954, to stockholders of record on August 11, 1954. The transfer books will not close.

THOS. A. CLARK
July 22, 1954 *Treasurer*

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable September 15, 1954, to stockholders of record at the close of business August 25, 1954.

E. F VANDERSTUCKEN, JR.,
Secretary.

Allied Chemical

Quarterly dividend No. 134 of Seventy-five Cents ($.75) per share has been declared on the Common Stock of Allied Chemical & Dye Corporation, payable September 10, 1954 to stockholders of record at the close of business August 13, 1954.

W. C. KING, *Secretary*

July 27, 1954.

Allied Chemical

Notice to Security Holders

Allied Chemical & Dye Corporation has made generally available to its security holders, in accordance with the provisions of Section 11 (a) of the Securities Act of 1933, as amended, an earnings statement on a consolidated basis for the twelve-months' period ended June 30, 1954, such period beginning after the effective date of the Company's Registration Statement filed on March 11, 1953 with the Securities and Exchange Commission (SEC File No. 2-10125) relating to $200,000,000 Twenty-five year 3½% Debentures due April 1, 1978. Copies of such earnings statement will be mailed upon request to the Company's security holders and to other interested parties.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway
New York 6, N. Y.
By W. C. KING, *Secretary*
August 2, 1954.

Allegheny Ludlum Steel Corporation Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, July 29, 1954, a dividend of fifty cents (50¢) per share was declared on the Common Stock of the Corporation, payable September 30, 1954, to Common stockholders of record at the close of business on September 1, 1954.

AL

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable September 15, 1954, to Preferred stockholders of record at the close of business on September 1, 1954.

S. A. McCASKEY, JR.
Secretary

August 21 Issue

15 Candidates for Stock Splits

Market Growing More Speculative

(*Continued from page* 559)

take a further rise of less than 10% to put it back to the 1929 high. The average is on a basis of 12.6 times earnings, highest in some years; and comparing with 9.4 at the 1953 low and 6.9 at the 1949 low. But the latter levels represented under-valuation, as do all bear-market lows; just as past bull-market highs represented over-valuation. In terms of the Dow average, the market is at a medium-high level. If the present price-earnings ratio equalled that at the 1946 market high, the average would be at about 429, instead of 348; on the peak 1937 price-earnings ratio it would be around 465; and at 1929's extreme 19.6 earnings it would approximate 539.

The Soundest Policy

From this point, the all-out bull must bank on a medium-high market being transformed progressively into a more extreme one, without any way of knowing whether maximum valuations will compare with those of 1929, or 1937 or 1946; or whether extremism in the present case will not go as far as in any of those three instances. You should continue to hold reasonable reserves; and to put the emphasis on quality and special-situation profit potentials in making portfolio changes.—Monday, August 2. — END

Common and Preferred Dividend Notice

July 28, 1954

The Board of Directors of the Company has declared the following quarterly dividends, all payable on Sept. 1, 1954, to stockholders of record at the close of business Aug. 6, 1954:

Security	*Amount per Share*
Preferred Stock, 5.50% First Preferred Series	$1.37½
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Common Stock	$0.35

Secretary

TEXAS EASTERN Transmission Corporation

SHREVEPORT, LOUISIANA

Time To Reappraise

YOUR INVESTMENTS

A Special Invitation to responsible investors with $20,000 or more in investment funds.

No foresighted investor, who seeks to safeguard his capital and keep it working productively, can afford to disregard the *immediate effects and longer term implications* of the many changes in progress on the political and industrial fronts . . . and in the earnings and dividend prospects for the individual companies.

★ In light of the substantial market rise since last September our staff — through its unending, original research — is continuing to segregate stocks which are becoming overpriced from those which are still undervalued — those which are in a vulnerable position from issues facing an unusually strong outlook — companies which may cut or pass dividends from those which will maintain or even increase liberal payments in 1954.

★ Many uncertain investors merely hold their positions unchanged and hope for the best—but a "do nothing" policy can be most costly in the highly selective market ahead. *If your capital is important to you now is the time to take intelligent action.*

★ As a first step toward increasing your profits and income in 1954-55, we invite you to submit your security holdings if you have not already done so for our preliminary review — entirely without obligation — if they are worth $20,000 or more.

★ Our survey will point out examples of your less attractive holdings to be sold or retained only temporarily. It will tell you how our personal supervision can assist you to strengthen your diversification, income and the enhancement possibilities of your account. We will evaluate your holdings and quote an exact annual fee for our service.

★ Merely send us a list of your securities in as complete detail as you care to give in regard to size of each commitment, purchase prices and your objectives. All information will be held in strict confidence. This offer is open only to responsible investors who are interested in learning more about our investment counsel.

INVESTMENT MANAGEMENT SERVICE

A division of THE MAGAZINE OF WALL STREET. *A background of forty-six years of service.*

90 BROAD STREET **NEW YORK 4, N. Y.**



Story of a purse-proof cigarette

A pack of Luckies in a lady's purse is assaulted by the penetrating odors of perfume, powder, hand lotion, lipstick.

That makes a problem for the cigarette manufacturer, because tobacco is remarkably absorbent . . . sensitive to moisture and odors. The makers of Lucky Strike, therefore, do everything they can to keep foreign odors away from the cigarettes . . . to make Lucky Strike as purse-proof as humanly possible.

Cellophane plays the biggest role in giving you factory-fresh taste in every pack of Luckies. For that reason, the Research Laboratory of The American Tobacco Company subjects every lot of cellophane used on Luckies to an immersion test, an impermeability test, strength tests, tests for freedom from flaws. Even after the packs are wrapped, the cellophane seals are spot-tested to make sure they're airtight.

This is one small example of how the Research Laboratory scientifically checks every one of the hundreds of steps in the manufacture of Lucky Strike cigarettes. Such diligent attention to detail explains why we print an unconditional guarantee on every pack of Luckies.

The American Tobacco Company

INCORPORATED

FIRST IN CIGARETTE RESEARCH